

GUIDELINES FOR PARISH ANNUAL FINANCIAL STATEMENTS, AUDITORS AND INDEPENDENT REVIEWERS

BACKGROUND

The Diocese of Natal is a Public Benefit Organization. Our Public Benefit Organization (P.B.O.) reference number is 930018124. All Parishes, Societies, Mothers' Union, Anglican Women's Fellowship or Guilds and Trusts operating at Parish level are incorporated under our P.B.O. reference number.

This means that all income and expenditure of the above must be fully disclosed at Parish level. This is required for income tax purposes. Income and Expenditure must not be allocated to General Ledger accounts (reserve accounting) but must be fully disclosed in the Income Statement. Any subsequent transfers to special funds must also be fully disclosed in the Income Statement as an appropriation to funds. A detailed movement on funds statement, including that of bequests where applicable is to be shown by way of a note to the Balance Sheet.

Contributions towards specific events such as an Alpha weekend, youth trip, a Sunday School outing and such like are to be offset against the costs incurred.

The Annual Financial Statements of the Diocese of Natal are drawn up in terms of the Accounting Policies of the Board of Trustees of the Diocese of Natal which are both conservative and practical for the running of the Diocese of Natal.

In order to achieve consistency throughout the Diocese of Natal and in particular for reporting purposes both to Parish Vestries and to the Diocese, as well as the South African Revenue Services, we ask that all Parish Accounts are drawn up in terms of the Accounting Policies of the Board of Trustees of the Diocese of Natal for Parishes which are as follows.

DIOCESAN ACCOUNTING POLICIES

1. The Financial Statements are prepared on the historical cost basis and incorporate the following principal accounting policies. These policies are in terms of the requirements of the Board of Trustees of the Diocese of Natal.

2. Property, plant and equipment

2.1 *Held for Parish Ministry Purposes*

Title to all Parish property held for ministry purposes vests in the Trustees of the Diocese of Natal and the title deeds reflect the owner as the Church of the Province of Southern Africa.

No value is placed on these properties and they are not recorded in the financial statements, except where funds have been borrowed for the purpose of acquiring the properties. Such property is amortised at the rate of repayment of the underlying loan.

2.2 *Held for Investment Purposes*

Title to these properties vests in the Diocesan Trustees of the Diocese of Natal and the title deeds reflect the owner as the Church of the Province of Southern Africa. These properties are recorded in these financial statements as the Investment at cost less any provisions for impairment and all income earned and expenses incurred are accounted for.

2.3 Motor vehicles and other movable assets are written off against revenue in the year of acquisition and the proceeds from disposals are recorded as revenue in the year of disposal except where funds have been borrowed in which case the asset is capitalized and then written off at the rate at which the underlying loan is repaid.

3. Revenue Recognition

3.1 The normal (general) revenue comprises contributions from parishioners and other related collections and is recognized on receipt and is disclosed in The Revenue Section of The Income Statement.

3.2 Donations for specific purposes are recognized on receipt, disclosed in the Revenue Section of The Income Statement and appropriated to the relevant specific fund.

3.3 Net Rental Income is disclosed separately in the Revenue Section of The Income Statement. Rental Income due, but not received at year end is accrued for.

3.4 Dividends and Interest are disclosed separately in the Revenue Section of The Income Statement. Dividends and Interest due, but not received at year end are accrued for.

3.5 Surplus / deficit on the sale of specific investments is disclosed and appropriated to the relevant specific fund.

3.6 Bequests that need not be paid to the Diocesan Board of Trustees are recognized on receipt and disclosed in the Revenue Section of The Income Statement and appropriated to the relevant separate Bequest Account.

3.7 Donations in kind are accounted for at Market value, recognized on receipt and disclosed in the Revenue Section of The Income Statement.

3.8 Surplus / deficit on the Sale of all Assets is disclosed in the Revenue Section of The Income Statement and appropriated where applicable to the relevant fund.

3.9 Surplus / deficit on the Sale of Investments for General purposes is disclosed in the Revenue Section of The Income Statement.

4. Financial Instruments

Financial instruments are initially carried at cost which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

4.1 *Trade and other receivables*

Trade and other receivables originated by the parish are stated at cost less provision for doubtful debts.

4.2 *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term liquid investments, that are readily converted to known amounts of cash and are subject to an insignificant amount of change in value. It is the policy of The Diocesan Board of Trustees that parishes only deposit cash surpluses with major banks of high quality credit standing.

4.3 *Financial Liabilities*

Financial liabilities are recognized at cost less principal payments.

4.4 *Investments*

Investments include but are not limited to securities and property syndications. Investments are valued at cost less any provision for impairment on a portfolio basis. The market value of these Investments is disclosed at the Balance Sheet date. It is the policy of the Diocesan Board of Trustees that parishes invest where risk is minimized and the ethical nature on the Investment is taken into account.

The movement on each Investment Account which comprises the opening balance at cost, purchases and sales at cost and the closing balance at cost are disclosed as a note to the Annual Financial Statements.

5. Special Funds

Special funds are amounts appropriated at the discretion of Parish Council to provide for future expenditure in specific categories. The relevant income and expenditure are reported in separate special fund accounts and is also disclosed in the Income Statement.

GENERAL GUIDELINES

1. The Financial Year End of the Diocese of Natal and Parishes is 31 December.
2. The Audited or Independently Reviewed Parish Accounts must be tabled at the Parish Vestry meeting which in terms of the Canons of the Anglican Church and the Acts of the Diocese of Natal has to be held before 15 March each year.

The Parish Executive and the Auditors/Independent Reviewers have to plan the Audit/Independent Review and the production of the Annual Financial Statements bearing this date in mind.

3. Some parishes have money invested with the Diocese of Natal. The relevant Certificates of Balance plus a ledger sheet of all transactions is available from the Diocesan Office in Pietermaritzburg.

4. Details of other Accounts with the Diocese

Details of amounts outstanding on the Diocesan Assessment as well as amounts outstanding on insurance will be furnished by the Diocesan Office in Pietermaritzburg on request.

5. A set of audited Annual Financial Statements or Annual Financial Statements that have been independently reviewed as well as an Income and Expenditure Declaration (for tax purposes) has to be furnished to the Diocese of Natal at the latest by 31 March of each year.

The following are the current requirements of the Audit Committee and the Board of Trustees.

*	Parishes with total revenue of R1 million or more	-	An audit of the Annual Financial Statements by a Registered Auditor
*	Parishes with total revenue of R500 000 to R1 million	-	An Independent Review of the Annual Financial Statements by the following: <ul style="list-style-type: none"> • Chartered Accountant SA (who needs to be registered with SAICA but not necessarily a Registered Auditor) • A Registered Independent Reviewer with SAIPA (the South African Institute of Professional Accountants)
*	Parishes with total revenue below R500 000	-	An Independent Review of the Annual Financial Statements by the following: <ul style="list-style-type: none"> • Registered Professional Accountant or Registered under SAICA • An appropriate financial qualification approved by the Board of Trustees