



# The Representative Church Body

## Financial Guides for Parishes

### Glossary of Terms to Accompany Annual Report & Financial Statements for SORP Compliant Accruals Accounts

*This glossary has been compiled following the layout of the Annual Report and Financial Statements for Accruals Accounts for ease of use rather than the traditional alphabetic format.*

#### *References and administrative details of the Charity (Parish)*

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| <b>Charity Name:</b>                | This is the name of your parish (e.g. Derryvullen South Parish)  |
| <b>Charity Registration Number:</b> | This is the number given to the parish by the Charity Commission for Northern Ireland when they have registered with the Commission.   |
| <b>Contact Address:</b>             | Address of the Parish  |
| <b>Trustees:</b>                    | The people who are responsible for the general control and management of the administration of the Parish, i.e. the Select Vestry.   |
| <b>Principal Office Bearers:</b>    | Those individuals that have a specific role within the Parish administration structure, Clergy, Churchwardens (Rector's & People's), Treasurer and Secretary.  |
| <b>Independent Auditor:</b>         | An auditor is someone eligible to act as an auditor under Part 42 of the Companies act 2006. In other words, an auditor is a member of an outside organisation who examines the financial statements of a parish to ensure that its annual accounts, profit and loss account and its balance sheet present a true and fair view of the parish's financial activity. The auditor must be a member of recognised accountancy body (e.g. Institute of Chartered Accountants) and is suitably qualified as per that body's requirements. It is the Select Vestry's decision as to who to engage as an auditor. Charities with an annual income of £500,000 or more must have their accounts independently audited. |
| <b>Independent Examiner:</b>        | An independent examiner is someone eligible to act as an examiner to provide an external scrutiny of a Charities Financial Accounts. The Charity must satisfy themselves that the independent examiner they appoint has the necessary skills and experience to carry out a competent examination. Where the Charity income is more than £250,000 the independent examiner must be a member of one of the bodies listed in the Charities Act. The list includes Institute of Chartered Accounts of Ireland, Association of Chartered Certified Accountants, Association of Accounting Technicians. It is the Select Vestry's decision as to who to engage as an independent examiner.                           |

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| <b>Bankers:</b>       | The bank/bank branch with whom the Parish uses to do its main banking.   |
| <b>Solicitors:</b>    | The solicitor/firm of solicitors who are the Parish's legal representatives.   |
| <b>Financial Year</b> | This is the 12 month reference period that the Parish uses to relate its accounts to. It is usually set out in its governing document and it generally runs from January to December (the calendar year) or from April to April (the tax year), but can be any concurrent 12 month period. |

### **Trustees & Independent Auditor's Report**

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| <b>Trustee's Annual Report:</b>   | <p>This is an annual report produced by the Select Vestry which accompanies the financial statements. It will tell the story of the Parish for the year, setting out the Objectives &amp; Activities, Achievements &amp; Performances, Financial Review, Structure &amp; Governance, Compliance with Public Benefit and a Statement of Trustee's Responsibilities.</p> <p>This report will vary from Parish to Parish. Example layout is provided in the example accounts. Where a Parishes income is over £250,000 the layout and wording should be agreed by the Parish with the Independent Examiner or Auditor.</p> |
| <b>Public Benefit (included under Achievements, Performance and Public Benefit)</b> | <p>A key component of a charitable purpose is to have a public benefit. Public benefit reporting is a key element of the Trustee's annual report and gives the select vestry the opportunity to explain the impact of the Charity/ Parish throughout the year. The Parish might include a summary of the main activities undertaken by the charity to carry out its charitable purpose for the public benefit and the main achievements of the Parish during the year.</p> <p>A statement of compliance with the Charities Commission public benefit guidance is also required.</p>                                     |
| <b>Going Concern</b>  | <p>A going concern is the ability of a business or entity to function without the threat of liquidation for the foreseeable future. It implies for the business or entity, the basic declaration of intention to keep running its activities at least for the next year. Hence, the declaration of going concern means that the Parish will continue to operate as it has been doing so for the next 12 month. If there is an issue with "the going concern" concept the Parish will have to declare so in its accounts and the independent examiner will be required to report any such going concern issues.</p>      |

### **Statement of Financial Activities**

#### **Income**

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| <b>Income</b>     | Monies received by the Parish   |
| <b>Donations:</b> | Money received from donations to the Parish in the form of plate collection, weekly envelopes, free will offerings, tax recovered on donations through the gift aid scheme. <i>Note 3 to the example Financial Statements provide more details but is not an exhaustive list.</i> |
| <b>Legacies:</b>  | Gift of money or property willed to the Parish following the death of a parishioner or another. The bequest may set specific purpose for the use of the funds or property or may be for the general purpose of the Parish.  |

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| <b>Endowment Income</b>                         | An endowment is a gift of money or property given to a Parish and subject to any specific term of the endowment.  |
| <b>Tax recovered on Donations</b>               | The money claimed from HMRC on any donations that the donor has agreed can be Gift Aided  |
| <b>Bank &amp; Deposit Interest:</b>             | Amounts of money paid by a financial institution at a specific rate of interest on money held in account(s) with that institution.  |
| <b>Investment Income:</b>                       | Amounts of money that is earned (usually in the form of dividends or distribution paid) on capital amounts of money invested in Trust Funds managed by the RCB, CIT or other investment managers. Investment income should include income from the rental of Investment Properties where applicable to the Parish. Investment Properties are properties held by the Parish to generate an investment return and would not include typical Church Properties such as Glebe House, Curate House etc. <i>Note 5 to the example financial statements provide more detail but is not an exhaustive list.</i>   |
| <b>Other <u>Trading</u> Activities</b>          | Income that is generated from the use of Parish premises, parish magazines, insurance claims, graveyard and columbarium donations/fees, grants. <i>Note 4 to the example financial statements provide more detail but is not an exhaustive list.</i>  |
| <b>Grants:</b>                                  | Money received in the form of grants to be utilised as specified in the terms of the grant.   |
| <b>Income from <u>Charitable</u> Activities</b> | Income from weddings and funerals, special fund raising, coffee mornings, Summer fete, Christmas fair, concerts and social events, etc. It is appropriate to include income from other Parish organisations such as Bowling Club etc. under this heading. Parish organisations might include Bowling Club, Flower Club, Girls Brigade, Boys Brigade, Mothers & Toddlers group, Active Age group etc. Parish organisations will <u>not</u> include National organisations such as the Girl Guides, the Scout Association, The Girls Friendly Society, the Church Lads, Church Girls Brigade and Mothers Union, where there is a central governing body. As Parish organisations their financial information should be included in the Parish Financial Statements. This will include all receipts of income from the Parish Organisations. |
| <b>Other Income</b>                             | Money received from all other sources than the above  |

### **Expenditure**

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| <b>Expenditure</b>              | Monies paid out by the Parish  |
| <b>Cost of Generating Funds</b> | Monies spent on Investment manager's fees, fundraising costs (those associated with summer fetes, special fundraising events, etc.), Offering Envelopes and Stationery |

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| <b>Charitable Activities</b>                   | <p>Monies spent on the maintenance and upkeep of the parish, ministry costs, depreciation, professional and audit fees, diocesan assessment, security, advertising etc. <i>Refer to Note 7 to the Financial Statements for more details.</i></p> <p>It is appropriate to include expenditure from other Parish organisations such as Bowling Club etc. under this heading.</p> <p>Parish organisations might include Bowling Club, Flower Club, Mothers &amp; Toddlers group, Active Age group etc. Parish organisations will <u>not</u> include National organisations such as Boys Brigade, Girls Brigade, Mothers Union, where there is a central governing body. As Parish organisations their financial information should be included in the Parish</p> |
|  | Financial Statements. This will include all expenditure from the Parish organisations.  |
| <b>Gain/Loss on investments</b>                | The difference between the original purchase price of an investment(s) and the amount received from its sale  |
| <b>Unrealised Gains/ Losses on Investments</b> | The difference between the opening valuation invested assets (at the start of the year) and the closing valuation of invested assets (at the end of the year), is the unrealised gain or loss. If the investment is purchased during the year then the book cost is equivalent to the opening valuation.  |
| <b>Transfers:</b>                              | If there is a transfer between funds i.e. from unrestricted to restrict.  |

## Balance Sheet

### Assets

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| <b>Assets</b>   | An asset is something that is owned, will give future value/benefit to the Parish and can be valued accurately. Assets are broken down into two basic categories, Fixed Assets (something that you can physically see & investments) or Current Assets (cash and debtors)  |   |
| <b>Fixed Assets</b>                                       | <b>Tangible Fixed Assets</b>   | e.g. the church, the parish hall, computers in the office, Communion silverware, other property, furniture. <i>Refer to Note 11 to the example Financial Statements for further details</i> |
| <b>Depreciation</b> ( <i>reference to Note 11</i> )       | This is where the value of an asset decreases over time. It is usually applied to fixed assets such as buildings, computers, furniture, and motor vehicles. It is an accounting term that recognises how the wear and tear on an asset affects its value and is calculated over a number of years. It is calculated at the end of the financial year and takes into consideration any assets that have been sold or bought during the period. It is considered a cost. |   |
| <b>Disposals (Assets)</b> ( <i>reference to Note 11</i> ) | This is the sale or other disposal of an asset by the Parish.  |   |
| <b>Additions (Assets)</b> ( <i>reference to Note 11</i> ) | This is the purchase or other acquisition of an asset by the Parish.   |   |

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| <b>Heritage asset</b> |                    | A 'Heritage asset' is defined as a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. This definition covers cathedrals and historical Churches and monuments where their preservation and contribution to culture are ancillary to faith and other purposes. Similarly, the artefacts contained within, or associated with, such assets may also be heritage assets. Therefore, religious artefacts contained within a cathedral or historic church will be included under 'Heritage asset'. |
| <b>Fixed Assets</b>   | <b>Investments</b> | Assets that are held to generate a return by way of income, capital growth or both. Investments may include government gilts, shares, bonds and deposit accounts when held as an investment. Parishes may have investments in the RCB or CIT Unit Trust and the value of holdings should be included in the Financial Statements.<br><i>Refer to Note 13 of the example Financial Statements for further details.</i>   |
|                       |                    | <i>As this is a very technical area it would be appropriate for the Parish to discuss Investments with the independent examiner or auditor before the examination or audit commences and particularly the detail contained in notes 12 and 13 of the example accounts.</i>  |

### Assets

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| <b>Current Assets</b>     | <b>Cash &amp; Cash Equivalents</b> | Cash at bank or in hand held directly by the Parish, cash held by the RCB/CIT in trust for the Parish, cash at bank for other Parish organisations such as Bowling Club etc. Cash should be split between current account and deposit accounts. |
|                           | <b>Debtors</b>                     | Persons or organisations that owe money to the Parish, this can include donations, legacies due or gift aid tax to be recovered from HMRC.  |
| <b>Creditors</b>          | <b>Falling due within one year</b> | Persons or organisations that are owed money by the Parish, normally for the supply of goods or services e.g. repairs or maintenance to the Rectory or Church.  |
|                           |                                    |   |
|                           | <b>Bank Loans</b>                  | Loans made a financial institution that have a greater repayment term than 12 months (e.g. 18 months, 2 or 3 years)   |
| <b>Net Current Assets</b> |                                    | The difference between <i>Current Assets</i> and <i>Creditors</i>   |
| <b>Total Net Assets</b>   |                                    | The difference between <i>Total Fixed Assets</i> and <i>Net Current Assets</i>  |

### The Funds of the Parish

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| <b>Restricted Funds:</b> | Are sums of money that are held in trust for particular purposes set out by the donor or in an appeal document and can only be spent on those purposes.                          |
| <b>Endowment Funds:</b>  | Are gifts of money or property given to the Parish and which may be subject to specific terms of the endowment. There are two types of Endowment Funds expendable and permanent. |

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|                            | <i>Expendable Endowment</i> | <i>A type of endowment fund where the Select Vestry have the option, under certain conditions, to spend the capital as if it were income of the Parish.</i>       |
|                            | <i>Permanent Endowment</i>  | <i>A capital fund with no power to convert the capital into income. These funds must generally be held indefinitely.</i>  |
| <b>Unrestricted Funds:</b> |                             | Funds which the Select Vestry are able to spend at their discretion for any of the Parish's purposes.   |
| <b>Designated Funds:</b>   |                             | Are legally part of the Unrestricted Funds that have been earmarked for a specific purpose, though they may be reported separately in the Balance Sheet or Notes. |

### ***Statement of Cash Flows***

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| <b>Cash Flow Statement</b> | Where the Parish has a requirement to produce a Cash Flow Statement it is advised that the Parish should discuss this statement with the Independent Auditor or Examiner. |
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