



## Representative Church Body

### The Church of Ireland – Best Parish Church – Pro-forma Accounts Explanatory Notes for SORP (Statement of Recommended Practice) compliant accrual accounts

#### Trustee's Annual Report

The detail provided here is only a broad guideline as the Trustees report will vary from parish to parish. However the following 4 topics must be dealt with in the Trustees Report:-

- Objectives and Activities
- Achievements and Performance
- Financial Review
- Structure , Governance and Management

The trustees should ensure that the trustees report meets the requirements of the Charities SORP FRS 102. The Parish should consult with the Independent Examiner / Auditor to ensure the final trustees report is in line with FRS 102.

The Parish is not precluded from including other matters if they so choose, where they feel these additional matters will be useful to the readers and users of the report.

Within the Trustees Annual Report is a "Statement of Trustees Responsibilities". The final wording used here should be agreed with the Independent Auditor / Examiner.

Please note that the Objectives & Activities can be altered in line with the input from the Bishop of the Diocese or at a local Parish level by the Incumbent.

Parishes (charities) are required to have a public benefit and to report annually on how they continue to meet the public benefit requirements. The trustee's annual report should contain information on activities the Parish has carried out during to year to provide this public benefit. The Parish is requires to confirm that they have due regard to the guidance produced by the Northern Ireland Charities Commissioner.

#### SORP compliant Accrual Accounts

Accrual Accounts refer to accounts that are prepared on a "true and fair" basis and in accordance with accounting standards. Accrual accounts record the income of a particular activity when there is an entitlement to the income or a probability that it will be received. Accrual accounts record expenses, when the liability is incurred and not necessarily when the expense is paid.

It is necessary to prepare a Statement of Financial Activities, a Balance Sheet and to have the accounts either independently examined or audited depending on the level of income.

Where gross income is greater than £250,000 but less than £500,000 the Parish should produce accrual accounts in accordance with SORP and have these accounts independently examined by a prescribed / qualified person.

Where gross income is greater than £500,000 the Parish should produce accrual accounts in accordance with SORP and have these accounts independently audited by a registered auditor.

It is advised that where the Parish income is greater than £250,000, the layout of the accrual accounts should be reviewed with the Independent Auditor / Examiner to ensure that Parish specific requirements are considered in detail and the example accounts are amended as required.

Accrual Accounts can be prepared where the Parish income is less than £250,000 if:

- The parish's governing document requires accrual accounts.
- Another enactment says the parish must prepare accruals accounts.
- A decision has been made by the Select Vestry to prepare accrual accounts.

An individual Parish administered by a Select Vestry should produce accrual accounts where its income is greater than £250,000.

In the case of a Group of Parishes, where each Parish within the Group is administered by individual Select Vestries, then the Parish will produce accrual accounts where its income is greater than £250,000.

In the case of a Union of Parishes, which will be administered by one Select Vestry, the Union will produce accrual accounts where the consolidated income of the Union of Parishes is greater than £250,000.

Parish Organisations income and expenses should be included within the Parish accounts. The type of Parish Organisations which might be included as a Parish Organisation would be Parish Bowling Club, Parish Flower Club, Parish Active Age Group; where the organisation is part of the Parish. The Parish treasurer might include other Parish Organisations income under "Other" in Other trading activities and might include Parish Organisations expenses under Other costs and include any bank accounts held by the Parish Organisation in the Balance Sheet under Cash. Organisations with national headquarters and separate governing documents from the Church of Ireland such as Girls Friendly Society & Boys Brigade would not be included in Parish accounts. Organisations that rent rooms in a Parish Hall/Centre and are not considered part of the Parish should not be incorporated within the Parish accounts, but any rental income generated will be included under Note 4 Other trading activities "Rental from Parish Centre".

Please note that information filled with the Charities Commission of Northern Ireland as part of your annual reporting will be publicly available.

#### **Cash Flow Statement**

The Cash Flow Statement presented here is extracted as the example given in the SORP and may well be more detailed than that which will be required for your parish. You should refer to your Independent Auditor / Examiner for any assistance in this matter

#### **Accounting Policies**

Your specific attention is drawn to the following :-

Income – Your parish may well have other significant income streams than those shown here. Where such income streams exist, the accounting policy relating to the recognition of such income should be included here.

Tangible Assets – There may be a variety of positions on this depending on the particular circumstances of your parish. We have provided here a range of possible policies depending on those circumstances. However the policy documented and applied in each individual parish should be discussed and agreed with your Independent Auditor / Examiner in advance of accounts preparation.

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'.

#### **Analysis of Income – Notes 3 to 6**

The analysis of income under the sub- headings provided is not prescriptive. The main headings **Donations and Legacies, Other Trading Activities, Investments, and Charitable Activities**, are required by the SORP. The SORP also dictates the TYPE of income which should be reflected under each heading – however the description of the amounts included under each heading may be amended to reflect the circumstances of each individual parish.

#### **Analysis of Expenditure – Note 7**

As above the analysis of expenditure under the sub- headings provided are not prescriptive. With particular reference to Charitable **Activities** – the analysis provided is a suggestion of the minimum detail which may be required. Individual parishes are free to provide this analysis to a greater level of detail if desired.

Wages & Salaries should include payments to people who are employees or office holders of the Parish. Where the incumbent is paid centrally by the RCB then the Parish will not have wages & salaries relating to the incumbent but will instead show payments to the Diocese as Diocesan costs/assessments. Where the incumbent is paid locally by the Parish then the Parish will include the stipend payment under wages & salaries. If payments are made to other persons on a self-employed basis these payments should be included in the appropriate expense category. Each Parish may need to take specific advice in relation to wages & salaries as circumstances will vary from Parish to Parish.

#### **Analysis of Staff Costs, trustee remuneration and expenses and key management costs – Note 10**

Details need to be given in respect of payments made to trustees of the Parish. The Parish trustees are the members of the Select Vestry. Types of payment might include payment for professional services provided even if at a reduced rate, payment for the supply of goods, payment of certain rectory/glebe utilities. As circumstances will vary from Parish to Parish, the Parish is advised to consider all payments made to trustees with the Independent Examiner.

Where a parish pays utilities incurred by the Rector, e.g. electricity/telephone/heating, these expenses must be disclosed under 'Key Management and Trustees'.

<b>Investment Properties – Note 12</b>
Some parishes may own investment properties. These are properties which are held, unrelated to main parish activities, to earn rental income or for capital appreciation, or both. Where such properties are held information must be provided on the basis of each year end valuation including :- <ul style="list-style-type: none"><li>• Methods and significant assumptions applied</li><li>• Extent to which valuation has been arrived at by independent valuer who holds a recognised and relevant professional valuation</li></ul>
<b>Transition to Charities SORP (FRS1012)</b>
There may be no changes to opening funds of the parish as a result of the adoption of Charities SORP FRS 102. In such circumstances a statement to this effect should be given.