

**EMMANUEL PRESBYTERIAN CHURCH
(PBO NUMBER 930007188)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**A VERMAAK
PROFESSIONAL ACCOUNTANT (SA)**

INDEX

The reports and statements set out below comprise the financial statements presented to the board of management:

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Board of management's responsibilities and approval

The board of management are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Church as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The board of management acknowledge that they are ultimately responsible for the system of internal financial control established by the Church and place considerable importance on maintaining a strong control environment. To enable the board of management to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Church and all employees are required to maintain the highest ethical standards in ensuring the Church's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Church is on identifying, assessing, managing and monitoring all known forms of risk across the Church. While operating risk cannot be fully eliminated, the Church endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board of management are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board of management have reviewed the Church's cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the Church has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 3 to 14, which have been prepared on the going concern basis, were approved by the board on 10 November 2019 and were signed on its behalf by:

Board of management

Board of management's report

The board of management submit their report for the year ended 31 December 2018.

1. General review

The Church is situated in Pretoria East and is part of the Uniting Presbyterian Church in Southern Africa.

The operating results and state of affairs of the Church are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Events after the reporting period

The board of management are not aware of any matter or circumstance arising since the end of the financial year that has an impact on the church's operations or financial state of affairs.

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Balance sheet

	Notes	<u>2018</u>	<u>2017</u>
Assets			
Non-current assets			
Property, plant and equipment	4	2,912,580	2,883,466
Current assets			
		1,697,250	1,654,051
Receivables and prepayments	5	23,010	55,080
Cash and cash equivalents	6	1,674,240	1,598,971
		<u>4,609,830</u>	<u>4,537,517</u>
Equity and liabilities			
Capital and reserves			
		3,482,855	3,426,642
Capital account	7	3,112,276	3,061,086
General reserves	7	370,579	365,556
Current liabilities			
		1,126,975	1,110,875
Trade and other payables	8	860,582	857,090
Provisions	9	266,393	253,785
		<u>4,609,830</u>	<u>4,537,517</u>

EMMANUEL PRESBYTERIAN CHURCH
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Income statement

	Notes	2018	2017
Income		2,530,566	2,368,167
Freewill offering		2,035,492	1,729,527
Open plate		240,927	226,762
Donations		132,300	128,000
Interest received		79,135	78,048
Fundraising	2	34,430	195,141
Other income		8,282	10,689
Less expenses		2,494,353	2,360,121
Assessments		451,229	412,272
- General assembly		384,968	351,576
- Presbytery		66,261	60,696
Teaching ministry		22,992	21,424
- Associations		-	850
- Books and materials		2,115	3,668
- Conference fees		1,930	1,549
- Pulpit fees		1,000	-
- Youth		17,947	15,357
Proclamation ministry		65,000	89,640
- Students for the ministry		-	1,000
- Missions		22,640	16,640
- Tithing		42,360	72,000
Healing ministry		13,988	7,632
- Discretionary fund		3,750	2,009
- Other expenses		925	507
- Social functions		-	1,116
- SMS data charges		9,313	4,000
Maintenance		1,941,144	1,829,153
- Bank charges		5,857	5,967
- Computer replacement		2,000	-
- Consumables - kitchen and cleaning		8,374	10,329
- Depreciation on property, plant and equipment	4	20,730	4,723
- Electricity and water		26,546	24,803
- Garden maintenance		2,043	1,506
- Gas		1,893	-
- Insurance		36,271	33,889
- Land preparation costs		18,372	-
- Maintenance and repairs - building		31,813	69,595
- Maintenance and repairs - office furniture and equipment		752	403
- Multimedia		10,670	8,870
- Music and sound team		9,167	7,838
- Travelling expenses		93,920	96,961
- Printing and stationery		15,565	12,899
- Professional fees		19,970	16,862
- Salaries and wages	3	1,575,509	1,460,970
- Security		10,837	9,895
- Telephone and internet		38,906	46,409
- Vehicle maintenance and licensing		3,574	4,270
- Workmans Compensation Commissioner		4,316	7,431
- Other expenses		4,059	5,533
Net profit		36,213	8,046
Plus / (less) Transfers from / (to) reserves		14,977	(21,600)
Capital projects reserve utilised		36,577	-
Provision for future motor vehicle		(21,600)	(21,600)
Net surplus / (deficit) after transfers to reserves		51,190	(13,554)

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Statement of changes in equity

	Notes	General reserves	Retained earnings	Total
		R	R	R
Balance at 1 January 2017		357,100	3,074,640	3,431,740
Net surplus for the year		-	8,046	8,046
Increase in general reserve		15,000	-	15,000
Reserve utilised		(28,144)	-	(28,144)
Transferred to / (from) general reserve		21,600	(21,600)	-
Balance at 31 December 2017	7	365,556	3,061,086	3,426,642
Net surplus for the year		-	36,213	36,213
Increase in general reserve		20,000	-	20,000
Reserve utilised		(36,577)	36,577	-
Transferred to / (from) general reserve		21,600	(21,600)	-
Balance at 31 December 2018		370,579	3,112,276	3,482,855

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Cash flow statement

	Notes	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from members		2,530,566	2,368,167
Cash paid to suppliers and employees		<u>(2,405,453)</u>	<u>(2,183,564)</u>
Net cash flow from operating activities	11	125,113	184,603
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		<u>(49,844)</u>	<u>-</u>
Net cash flow from investing activities		(49,844)	-
Net increase in cash and cash equivalents		75,269	184,603
Cash and cash equivalents at beginning of the year		<u>1,598,971</u>	<u>1,414,368</u>
Cash and cash equivalents at end of the year		<u><u>1,674,240</u></u>	<u><u>1,598,971</u></u>

Accounting policies

1. Presentation of Financial Statements

Emmanuel Presbyterian Church is a non-profit entity and is registered as a public benefit organisation in terms of the Income Tax Act. The Church operates on a cash basis and any cash surplus is utilised by the Church to further its activities or reduce its liabilities. Surpluses in future will be used to further assist church growth in the denomination. These funds are invested in interest bearing assets until such time that they are needed for church expansion. The financial statements have been prepared on the accrual basis of accounting, except as noted below.

The financial statements have been prepared in accordance with accounting policies appropriate to the business of the Church. These accounting policies are consistent with the previous period.

The principle accounting policies of the Church are as follows :

1.1 Property, plant and equipment

Property, plant and equipment are held for use in the carrying out of church activities and for administrative purposes; and are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation, where applicable.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over certain predetermined periods, which are as follows:

Land and buildings	Not depreciated
Furniture and fittings	3 - 10 years
Motor vehicles	8 years
Office equipment	3 - 5 years
Garden equipment	5 years

All property, plant and equipment with a cost below R7 500 is expensed upon purchase.
All assets have a residual value of R1.

Any other decrease in the value of assets is recognised only when the asset is sold, scrapped or otherwise disposed of (for example by donation to third parties).

1.2 Receivables and prepayments

Receivables and prepayments include payments made before year end for goods or services received in the following year, and amounts owing to the Church from third parties. Receivables are recognised when the Church is entitled to receive the cash.

1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in the bank and investment accounts, all of which are available for use by the Church unless otherwise stated.

1.4 Long-term and short-term liabilities

Borrowings are initially measured at the amount advanced to the church. Transaction costs are recognised as an expense when paid. Borrowings are subsequently measured at the amount advanced, plus interest accrued less payments. Interest paid is recognised in the period it is incurred based on contractual interest rates.

Accounting policies

- 1.5 Trade and other payables
Trade and other payables includes amounts accrued in respect of goods or services received before year end but that have not been paid. Accruals are recognised when the church receives the goods or services.
- 1.6 Provisions and reserves
The Church raises provisions for assessments and for long leave. Provisions are recognised when the Church has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. Provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation at balance sheet date.
- Provision is made for expenses relating to certain projects which were approved by the congregation and/or the Board of Management, but were not incurred in the current financial year as well as for the replacement of certain fixed assets. These provisions are included within reserves. Provisions related to operating expenses are recognised in the income statement. Provisions related to the replacement of fixed assets are recognised as a transfer between retained income and reserves.
- When the expenditure is incurred and results in an asset that is capitalised, the provision is reversed to retained income via reserves. In all other cases, the reserve is reduced by the expenditure incurred.
- 1.7 Derecognition of liabilities
The Church derecognises liabilities when, and only when, the Church's obligations are discharged, cancelled or expire.
- 1.8 Income
Income comprises the open plate, freewill offerings received, donations received, interest income and the proceeds from fundraising activities.
- 1.9 Ad-hoc donations received for specific projects
From time to time the Church receives funds from members which are designated for specific charitable works that are not projects which have been pre-approved by the members as projects for the year. In such cases, the Church simply acts and administers the funds as a conduit and has no claim to the funds received. Such receipts are not treated as assessable income for purposes of determining the assessments due to Presbytery and General Assembly and no corresponding deduction is claimed. Amounts unpaid are included in trade and other payables.
- 1.10 Interest received and paid
Interest received and paid are dealt with in the period in which they are incurred.
- 1.11 Leave pay
Where staff do not use their full leave entitlement they may be entitled to carry leave over and use it in the following year. The Church does not raise a provision for leave pay where staff do not use their full leave entitlement before the financial year end. Provision made for leave pay relates to long leave as per employment requirements for ministers per the UPCS.
- 1.12 Nuclear Congregations
Nuclear Congregations which have been planted by Emmanuel Presbyterian Church are accounted for in accordance with the Manual of Faith and Order of the Uniting Presbyterian Church in Southern Africa. Nuclear Congregations are required to have their financial affairs administered under the Session of the parent congregation. Planted Nuclear Congregations' financial affairs are run using the financial system of Emmanuel Presbyterian Church. These transactions are recorded in a suspense account, of which the net results represents the surplus / deficit accrued to the Nuclear Congregations. Surpluses are included in trade and other payables, while deficits are included in trade and other receivables.

Notes to the financial statements

	2018 R	2017 R
2. Fundraising		
Day of giving - missions work	34,430	-
Day of giving	-	195,141
	<u>34,430</u>	<u>195,141</u>
3. Salaries and wages		
Salaries and wages	1,742,758	1,692,564
Long leave	16,210	15,441
Pension costs	50,415	47,528
Unemployment insurance fund	9,114	8,837
Honorariums	9,000	9,000
Other	7,012	6,600
Honorarium sacrifice	(9,000)	(9,000)
Recovered from Grace Presbyterian Church	(250,000)	(310,000)
	<u>1,575,509</u>	<u>1,460,970</u>

The salaries and wages expenditure is split as follows:-

Minister	729,774	705,605
Secretary	232,875	227,850
Pastoral executive	437,024	430,211
Treasurer honorarium	9,000	9,000
Caretaker	73,647	71,200
Minister	345,177	329,504
Other	7,012	6,600
Honorarium sacrifice	(9,000)	(9,000)
Recovered from Grace Presbyterian Church	(250,000)	(310,000)
	<u>1,575,509</u>	<u>1,460,970</u>

In addition to the above salary, the minister is entitled to use of the church car for church-related use.

Travel expenditure for all employees is included under "travelling expenses".

Salary sacrifices made by staff are included as tithing.

4. Property, plant and equipment

	Land and buildings	Furniture and fittings	Garden equipment	Motor vehicles	Office equipment	Total
2018						
Cost						
Cost at 1 January 2018	2,859,489	274,308	14,090	128,875	64,961	3,341,723
Additions	-	7,550	-	-	42,294	49,844
Disposals	-	-	-	-	-	-
Cost at 31 December 2018	<u>2,859,489</u>	<u>281,858</u>	<u>14,090</u>	<u>128,875</u>	<u>107,255</u>	<u>3,391,567</u>
Accumulated depreciation						
Acc depreciation at 1 Jan 2018	-	250,381	14,080	128,874	64,922	458,257
Depreciation	-	12,271	-	-	8,459	20,730
Disposals	-	-	-	-	-	-
Acc depreciation at 31 Dec 2018	<u>-</u>	<u>262,652</u>	<u>14,080</u>	<u>128,874</u>	<u>73,381</u>	<u>478,987</u>
Net book value 31 December 2018	<u>2,859,489</u>	<u>19,206</u>	<u>10</u>	<u>1</u>	<u>33,874</u>	<u>2,912,580</u>
Net book value 1 January 2018	<u>2,859,489</u>	<u>23,927</u>	<u>10</u>	<u>1</u>	<u>39</u>	<u>2,883,466</u>
2017						
Cost						
Cost at 1 January 2017	2,859,489	274,308	14,090	128,875	64,961	3,341,723
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost at 31 December 2017	<u>2,859,489</u>	<u>274,308</u>	<u>14,090</u>	<u>128,875</u>	<u>64,961</u>	<u>3,341,723</u>
Accumulated depreciation						
Acc depreciation at 01 Jan 2017	-	245,658	14,080	128,874	64,922	453,534
Depreciation	-	4,723	-	-	-	4,723
Disposals	-	-	-	-	-	-
Acc depreciation at 31 Dec 2017	<u>-</u>	<u>250,381</u>	<u>14,080</u>	<u>128,874</u>	<u>64,922</u>	<u>458,257</u>
Net book value 31 December 2017	<u>2,859,489</u>	<u>23,927</u>	<u>10</u>	<u>1</u>	<u>39</u>	<u>2,883,466</u>

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Notes to the financial statements

	2018	2017
	R	R
5. Receivables and prepayments		
Sundry receivables	23,010	55,080

6. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-

Bank balances	1,673,438	1,598,169
Cash on hand	802	802
	<u>1,674,240</u>	<u>1,598,971</u>

7. Reserves

An analysis of the movements in each category within reserves is presented below:-

Retained earnings:-

At beginning of year	3,061,086	3,074,640
Net deficit for the year	36,213	8,046
Reserves utilised / (transferred to) reserves	14,977	(21,600)
At end of year	<u>3,112,276</u>	<u>3,061,086</u>

General reserves:-

	370,579	365,556
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Provision for future vehicle replacement

At beginning of year	263,578	241,978
Transferred to the provision	21,600	21,600
At end of year	<u>285,178</u>	<u>263,578</u>

Provision for small asset replacement / special projects:-

At beginning of year	86,922	100,066
Transferred to reserve - Roof painting	13,000	-
Transferred to reserve - Multimedia and computer replacement	7,000	15,000
(Utilised during the year) - Risograph	(36,577)	-
(Utilised during the year) - Multimedia and capital project	-	(28,144)
At end of year	<u>70,345</u>	<u>86,922</u>

Provision for medical expenses:-

Balance at beginning and end of year	9,000	9,000
Transferred / (Utilised) during the year	-	-
At end of year	<u>9,000</u>	<u>9,000</u>

Needy causes fund:-

Balance at beginning and end of year	6,056	6,056
Transferred / (Utilised) during the year	-	-
At end of year	<u>6,056</u>	<u>6,056</u>

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Notes to the financial statements

	2018	2017
	R	R
8. Trade and other payables		
Sundry payables	182,679	186,946
Grace current account	677,903	670,144
	<u>860,582</u>	<u>857,090</u>

Included in sundry payables is a payable for Grace Presbyterian Church of R12,000 (2017 - R12,000) for tithing. The Grace current account comprises the profits of Grace Presbyterian Church for the years ending 31 December 2018, which have been retained in Emmanuel's bank account on behalf of Grace Presbyterian Church.

The profits for Grace are made up as follows:

Income	319,865	495,674
Expenditure	312,106	408,392
General assembly assessments	39,816	71,461
Tshwane assessments	8,736	14,010
Staffing and travel expenditure	250,000	310,000
Tithing	12,000	12,000
Consumables and stationery	593	-
Music and license	961	921
Net profit for the period	<u>7,759</u>	<u>87,282</u>

Included in income are the following :

- Donation for land	-	100,900
- Day of Giving	-	19,230

The board has determined, on a fair and reasonable rate of overhead allocation, Grace should be charged in the region of R450,000 for 2018 (R430,600 for 2017). The board has chosen to only charge R250,000 for 2018 (R310,000 for 2017).

The Session of Grace Presbyterian has elected to pay assessments even though not required as a nuclear congregation.

9. Provisions		
Provision for assessments	250,182	238,344
Provision for long leave	16,211	15,441
	<u>266,393</u>	<u>253,785</u>

The assessments are calculated in accordance with the prescribed rules and guidelines as described by the UPCSA Finance Committee.

10. Cash flows from operating activities		
Net profit before transfers to reserves	36,213	8,046
Adjustments for:		
General reserve utilised	-	(28,144)
Increase in general reserve	20,000	15,000
Depreciation	20,730	4,723
Operating profit before changes in working capital	76,943	(375)
Changes in working capital	48,170	184,978
(Increase)/Decrease in receivables and prepayments	32,070	(32,910)
Increase/ (Decrease) in trade and other payables and provisions	16,100	217,888
	<u>125,113</u>	<u>184,603</u>