

**EMMANUEL PRESBYTERIAN CHURCH
(PBO NUMBER 930007188)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

**A VERMAAK
PROFESSIONAL ACCOUNTANT (SA)**

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Independent Reviewers' Report

To the members of Emmanuel Presbyterian Church

We have reviewed the annual financial statements of Emmanuel Presbyterian Church, that comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the Board of Management's report, as set out on pages 3 to 14.

The Board of Management are responsible for the preparation and fair presentation of these annual financial statements in accordance with The Manual of Faith and Order, and for such internal control as the board determine necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express a conclusion on the annual financial statements based on our review. We conducted our review in accordance with international Standards on Review Engagements (ISRE) 2400, Engagements to Review Financial Statements. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the annual financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 consists primarily of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained.

A review also requires performance of additional procedures when the practitioner becomes aware of matters that cause the practitioner to believe the annual financial statements as a whole may be materially misstated.

We believe that the evidence we obtained in our review is sufficient and appropriate to provide a basis for our conclusion.

The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the annual financial statements do not present fairly, in all material respects the financial position of Emmanuel Presbyterian Church as at 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with The Manual of Faith and Order.


A Vermaak & Associates

28 July 2015

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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 2015 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 9 August 2015 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 2014.

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.

EMMANUEL PRESBYTERIAN CHURCH
 Financial statements for the year ended 31 December 2014

Balance sheet

	Notes	<u>2014</u>	<u>2013</u>
Assets			
Non-current assets			
Property, plant and equipment	4	2 879 772	2 895 539
Current assets			
Receivables and prepayments	5	19 670	29 681
Cash and cash equivalents	6	1 347 318	1 048 552
		<u>4 246 760</u>	<u>3 973 772</u>
Equity and liabilities			
Capital and reserves			
Capital account	7	3 049 625	3 014 498
General reserves	7	324 321	315 078
Current liabilities			
Trade and other payables	9	629 622	456 749
Provisions	10	242 303	186 264
Current portion of long-term liabilities	8	889	1 183
		<u>4 246 760</u>	<u>3 973 772</u>

EMMANUEL PRESBYTERIAN CHURCH
Financial statements for the year ended 31 December 2014

Income statement

	Notes	2014	2013
Income		2 205 451	2 044 565
Freewill offering		1 641 807	1 577 327
Open plate		247 989	237 128
Donations		185 826	163 480
Interest received		31 906	18 861
Fundraising		93 644	40 963
Other income		4 279	6 806
Less expenses		2 155 335	1 792 564
Assessments		385 546	333 891
- General assembly		328 668	284 211
- Presbytery		56 878	49 680
Teaching ministry		14 909	32 411
- Associations		1 050	1 320
- Books and materials		4 953	13 178
- Conference fees		950	5 835
- Pulpit fees		-	-
- Youth		7 956	12 078
Proclamation ministry		88 288	124 680
- Students for the ministry		288	1 800
- Missions		24 000	24 000
- Tithing		60 000	41 000
- Probationer		-	53 880
- Other expenses		4 000	4 000
Healing ministry		9 242	7 008
- Discretionary fund		1 800	500
- Hospital flowers and gifts		-	80
- Other expenses		870	428
- Social functions		572	-
- SMS data charges		6 000	6 000
Maintenance		1 657 350	1 294 574
- Bank charges		14 562	14 110
- Computer expenses		8 000	9 999
- Consumables - kitchen and cleaning		8 167	8 886
- Depreciation on property, plant and equipment	4	29 667	28 534
- Electricity and water		24 365	20 883
- Garden maintenance		1 939	1 661
- Insurance		37 736	37 170
- Interest	3	34	4 145
- Maintenance and repairs - building		4 509	6 970
- Maintenance and repairs - office furniture and equipment		1 316	4 204
- Maintenance and repairs - general		11 599	6 783
- Multimedia		7 632	7 200
- Music and sound team		5 133	4 120
- Travelling expenses		91 339	81 128
- Printing and stationery		14 820	12 481
- Professional fees		15 245	14 604
- Salaries and wages	2	1 293 579	963 469
- Security		8 304	7 334
- Telephone and internet		48 157	39 627
- Vehicle maintenance and licensing		18 946	7 045
- Workmans Compensation Commissioner		5 234	3 866
- Other expenses		7 067	10 355
Net profit		50 116	252 001
Plus / (less) Transfers from / (to) reserves		(26 600)	(95 705)
Provision capital projects		(5 000)	(74 105)
Provision for future motor vehicle		(21 600)	(21 600)
Net surplus / (deficit) after transfers to reserves:		23 516	156 296

EMMANUEL PRESBYTERIAN CHURCH
 Financial statements for the year ended 31 December 2014

Statement of changes in equity

	Notes	General reserves	Retained earnings	Total
		R	R	R
Balance at 1 January 2013		207 768	2 858 202	3 065 970
Net profit for the year			252 001	252 001
Increase in general reserve		85 710	(74 105)	11 605
Transferred to / (from) general reserve		21 600	(21 600)	-
Balance at 31 December 2013	7	315 078	3 014 498	3 329 576
Net profit for the year			50 116	50 116
Transferred to / (from) general reserve		26 600	(26 600)	-
Decrease in general reserve		(17 357)	11 611	(5 746)
Balance at 31 December 2014		324 321	3 049 625	3 373 946

EMMANUEL PRESBYTERIAN CHURCH
 Financial statements for the year ended 31 December 2014

Cash flow statement

	Notes	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from members		2 205 451	2 044 565
Cash paid to suppliers and employees		<u>(1 892 457)</u>	<u>(1 661 499)</u>
Cash generated by operations	11	312 994	383 066
Interest paid	3	<u>(34)</u>	<u>(4 145)</u>
Net cash flow from operating activities		<u>312 960</u>	<u>378 921</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		<u>(13 900)</u>	<u>(11 876)</u>
Net cash flow from investing activities		<u>(13 900)</u>	<u>(11 876)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowings including accelerated payments		<u>(294)</u>	<u>(125 837)</u>
Net cash flow from financing activities		<u>(294)</u>	<u>(125 837)</u>
Net increase in cash and cash equivalents		298 766	241 208
Cash and cash equivalents at beginning of the year		<u>1 048 552</u>	<u>807 344</u>
Cash and cash equivalents at end of the year		<u><u>1 347 318</u></u>	<u><u>1 048 552</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 generate reserves to further assist church growth in the denomination. The financial statements have been prepared on the accrual basis of accounting.

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 production or supply of goods or services, for carrying out 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 the useful life of the property, plant and equipment, which is 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 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 prepayments (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 amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected term of the financial liability, or, where appropriate, a shorter period.

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 for as well as provision for expenses relating to certain projects which were approved by the congregation but were not incurred in the current financial year (refer to note 1.6 below). Accruals are recognised when the Church receives the goods or services.

1.6 Provisions

The Church raises accruals 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.

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.

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

	2014 R	2013 R
2. Salaries and wages		
Salaries and wages	1 417 954	1 096 716
Long leave	13 249	10 177
Pension costs	32 100	17 801
Unemployment insurance fund	8 962	7 055
Honorariums	9 000	8 004
Other	6 738	6 720
Honorarium sacrifice	(9 000)	(8 004)
Recovered from Grace Presbyterian Church	(185 424)	(175 000)
	<u>1 293 579</u>	<u>963 469</u>

The salaries and wages expenditure is split as follows:-

Ministerial couple	600 717	556 893
Secretary	193 638	180 121
Pastoral executive	368 049	340 129
Treasurer honorarium	9 000	8 004
Caretaker	59 446	54 606
Assistant minister	250 415	-
Other	6 738	6 720
Honorarium sacrifice	(9 000)	(8 004)
Recovered from Grace Presbyterian Church	(185 424)	(175 000)
	<u>1 293 579</u>	<u>963 469</u>

In addition to the above salary, the ministerial couple 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.

3. Finance costs

Interest paid - loans and mortgage bond	(34)	(4 145)
	<u>(34)</u>	<u>(4 145)</u>

4. Property, plant and equipment

	Land and buildings	Furniture and fittings	Garden equipment	Motor vehicles	Office equipment	Total
2014						
Cost						
Cost at 1 January 2014	2 859 489	220 263	14 090	178 875	64 260	3 336 977
Additions	0	13 199	0	0	701	13 900
Disposals	0	0	0	0	0	0
Cost at 31 December 2014	<u>2 859 489</u>	<u>233 462</u>	<u>14 090</u>	<u>178 875</u>	<u>64 961</u>	<u>3 350 877</u>
Accumulated depreciation						
Acc depreciation at 1 Jan 2014	0	204 576	14 080	158 560	64 222	441 438
Depreciation	0	22 717	0	6 250	700	29 667
Disposals	0	0	0	0	0	0
Acc depreciation at 31 Dec 2014	<u>0</u>	<u>227 293</u>	<u>14 080</u>	<u>164 810</u>	<u>64 922</u>	<u>471 105</u>
Net book value 31 December 2014	<u>2 859 489</u>	<u>6 169</u>	<u>10</u>	<u>14 065</u>	<u>39</u>	<u>2 879 772</u>
Net book value 1 January 2014	<u>2 859 489</u>	<u>15 687</u>	<u>10</u>	<u>20 315</u>	<u>38</u>	<u>2 895 539</u>
2013						
Cost						
Cost at 1 January 2013	2 854 154	217 563	14 090	178 875	60 419	3 325 101
Additions	5 335	2 700	0	0	3 841	11 876
Disposals	0	0	0	0	0	0
Cost at 31 December 2013	<u>2 859 489</u>	<u>220 263</u>	<u>14 090</u>	<u>178 875</u>	<u>64 260</u>	<u>3 336 977</u>
Accumulated depreciation						
Acc depreciation at 01 Jan 2013	0	191 869	14 080	146 573	60 382	412 904
Depreciation	0	12 707	0	11 987	3 840	28 534
Disposals	0	0	0	0	0	0
Acc depreciation at 31 Dec 2013	<u>0</u>	<u>204 576</u>	<u>14 080</u>	<u>158 560</u>	<u>64 222</u>	<u>441 438</u>
Net book value 31 December 2013	<u>2 859 489</u>	<u>15 687</u>	<u>10</u>	<u>20 315</u>	<u>38</u>	<u>2 895 539</u>

Notes to the financial statements

	2014	2013
	R	R
5. Receivables and prepayments		
Sundry receivables	19 670	29 681
	<u>19 670</u>	<u>29 681</u>
6. Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-		
Bank balances	1 346 516	1 047 750
Cash on hand	802	802
	<u>1 347 318</u>	<u>1 048 552</u>
7. Reserves		
An analysis of the movements in each category within reserves is presented below:-		
Retained earnings:-		
At beginning of year	3 014 498	2 858 202
Net profit for the year	50 116	252 001
Reserves utilised / transferred to reserves	(14 989)	(95 705)
At end of year	<u>3 049 625</u>	<u>3 014 498</u>
General reserves:-	324 321	315 078
Provision for future vehicle replacement		
At beginning of year	171 200	149 600
Transferred to the provision	21 600	21 600
At end of year	<u>192 800</u>	<u>171 200</u>
Provision for small asset replacement / special projects:-		
At beginning of year	128 822	43 182
Transferred to reserve - Sound equipment	5 000	-
Utilised during the year - Office Ergonomics	(2 246)	(855)
Transferred to the reserve/(Utilised during the year) - Various	(15 111)	86 495
At end of year	<u>116 465</u>	<u>128 822</u>
Provision for medical expenses:-		
Balance at beginning and end of year	9 000	9 000
Tranferred / (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	5 986
Tranferred / (Utilised) during the year	-	70
At end of year	<u>6 056</u>	<u>6 056</u>

Notes to the financial statements

	2014	2013
	R	R
8. Long term liabilities		
Mortgage bond (secured by property)	889	1 183
Add back excess deposited into mortgage bond accounts	-	-
Long-term loans (unsecured)	-	-
	<u>889</u>	<u>1 183</u>
Less: Short term portion of long-term liabilities	<u>(889)</u>	<u>(1 183)</u>
	<u>-</u>	<u>-</u>

The mortgage bond bears interest at the prime lending rate less 0,5% and is repayable monthly over 12 years.

Long term liabilities have technically been settled in 2013. However a balance is retained to ensure the ability to retain the available flexi reserve. This is an available funding facility.

9. Trade and other payables

Sundry payables	187 608	119 954
Grace current account	442 014	336 795
	<u>629 622</u>	<u>456 749</u>

Included in sundry payables is a payable for Grace Presbyterian Church of R0 (2013 - R5,025) for tithing. The Grace current account comprises the profits of Grace Presbyterian Church for the years ending 31 December 2014, 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	361 881	297 587
Expenditure	256 662	232 811
General assembly assessments	47 151	35 806
Tshwane assessments	9 958	8 068
Staffing and travel expenditure	185 424	175 000
Tithing	13 265	12 000
Consumables and stationery	80	1 206
Music and license	784	731
Net profit for the period	<u>105 219</u>	<u>64 776</u>

The board has determined, on a fair rate of overhead allocation, Grace should be charged in the region of R350,000 for 2014 (R330,000 for 2013). The board has chosen to only charge R185,424 for 2014 (R175,000 for 2013).

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

10. Provisions

Provision for assessments	229 055	165 430
Provision for long leave	13 248	20 834
	<u>242 303</u>	<u>186 264</u>

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

EMMANUEL PRESBYTERIAN CHURCH
Financial statements for the year ended 31 December 2014

Notes to the financial statements

	2014 R	2013 R
11 Cash flows from operating activities		
Net profit before transfers to reserves	50 116	252 001
Adjustments for:		
Net finance cost	34	4 145
General reserve (increased)/ utilised	(5 746)	(785)
Loss on disposal of property, plant and equipment		0
Depreciation	29 667	28 534
Operating profit before changes in working capital	74 071	283 895
Changes in working capital	238 923	98 456
Decrease/ (Increase) in receivables and prepayments	10 011	27 820
Increase in trade and other payables and provisions	228 912	70 636
	<u>312 994</u>	<u>382 351</u>