Anglican Diocese of the Northern Territory

DOCUMENT NUMBER	AA001
TYPE	Policy
SUBJECT	Accounting Policy
AUTHORISED BY	Diocesan Council
DATE AUTHORISED	12th February 2021

Preamble

Whilst the special purpose financial accounts of the Diocese includes some information relating to the accounting policy of the Diocese and there are documented accounting procedures (AC001 Accounting Procedures), at this point there is no agreed set of accounting policies which comprehensively set out how the Diocese accounts for its assets and undertaking from a financial perspective. The Diocese is at this point not deemed to be a reporting entity such that it must prepare general purpose financial reports.

Objective

The objective of this document is to set out the standards by which the Diocese presents its accounts as a true and fair representation of its assets and undertaking. This will include:

a) A general overview of the nature of the assets and undertaking of the Diocese;
b) The key accounting standards with which the Diocese complies;
c) The key accounting standards with which the Diocese chooses at this point to depart;

This policy embellishes the statements of accounting policy which typically appears in the Diocese's special purpose financial reports.

Basis of Preparation of Financial Reports

The Synod of the Diocese of the Northern Territory Incorporated is not a reporting entity because in the opinion of the Diocesan Council, there are unlikely to exist users who are dependent on general purpose financial statements. Diocesan annual financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Diocese's Constitution, the *Associations Act 2003* (NT) and the *Australian Charities and Not-for- profits Commission Act 2012.*

Nature of the Key Activities of the Diocese

The principal place of business for the Synod of the Diocese of the Northern Territory is situated at the corner of Smith Street and the Esplanade, Darwin NT 0800. The principal activity of the Synod of the Diocese of the Northern Territory is the advancement of religion.

Accrual-based historical cost accounts

The special purpose financial report has been prepared on an accrual basis and under the historical cost convention. Unless otherwise stated, the following accounting policies adopted are consistent with those of the prior year.

Whilst the annual financial accounts meet these accounting conventions, interim financial accounts have not always met these conventions (e.g. employee entitlements, insurance expense, cost recovery). It is imperative that Diocesan Council is provided with quarterly management accounts consistent with year-end accounts. Furthermore, the budget will be prepared at a detailed level so that Diocesan Council receives sufficient data to determine whether the Diocese is achieving its financial objectives as well as Cost Centres in the Diocesan Office (by cost centre, by property, by special grant).

Adoption of New Accounting standards

The Diocese has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations. In particular:

- AASB 15 and AASB 1058 Income of Not-for-profit Entities had some effect on the Diocese, in that the Diocese is required to brings special grants to account as revenue only when the relevant completion event has occurred (AASB 1058 App B Paragraph B17), also matching the phasing of insurance costs and the cost recoupment from parishes across the year; and
- AASB 16 Leases has no effect on the Diocese.

This will require changes to the accounting policy of the Diocese on an annual basis.

Significant accounting policies

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from parish contributions, investment income and rental are recognised on an accrual basis in accordance with the substance of relevant agreements.

Grant and donation income is recognised when the entity obtains control over the funds. The point at which "control over the funds" is obtains means that the point in time when the expectations for which the grant or donation has been received is met. For "general" grants and donations, there is no specific expectation to be met and therefore they are recognised upon receipt.

(b) Expenses

Depreciation is provided on property, plant and equipment, but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life.

Some parishes have very limited financial resources. All parishes are invoiced a certain minimum contribution to the Diocese. In recognition that some parishes will not be in a position to make this payment, a provision for doubtful debts for any invoices to a remote parish shall be made. Nevertheless, it is expected that all parishes contribute to the Diocese.

(b) Current Assets

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest and dividend revenue is recognised on an accrual basis. Investments with Managed Funds are classified as financial assets at fair value through the profit and loss.

The Diocese recognises prepaid expenses where the annualised value of that class of expense exceeds $10,000 per annum. In particular, insurance prepayments are recognised, where the economic benefit of the insurance policy traverses four quarters and generally two financial years. This is consistent with the recognition of revenue for the recoupment of insurance expenses paid on behalf of the parishes.

(c) Non-Current Assets

In general, assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to acquisition. Some specific treatments are set out as follows:

Real Property: Much of the property of the Diocese is situated on leasehold land. Further, most structures upon such land are older than the useful life of such property assets. Accordingly, there is no effective holding value for these assets. By contrast, more recent acquisitions in urban areas are accounted for on an historical cost basis. The Diocese chooses to adopt the “cost model” for valuing this class of assets in accordance with AASB 116 paragraph 30.

To this end, the value of land of the following is not recognised in Non-Current Assets:

Alice Springs – Lots 23, 24, 2862, 2930, 6768 and 7896;
Batchelor – Lot 87;
Burrundie – Lot 77;
Darwin – Lots 4812, 7795, 6037 and 2526;
Fred’s Pass – Lot 2076;
Katherine – Lots 263;
Numbulwar – Lots 1 and 160;

Nightcliff – Lot 1695;
Palmerston – Lot 2182;
Pine Creek – Lot 53;
Sanderson – Lot 6641; and
Tennant Creek – Lots 213 and 214

Managed Investments: This class of assets comprises a mix of cash, term deposits and investment in Australian shares, as managed by investment management organisations BT, Colonial and Anglican Funds SA. The Diocese chooses to adopt the "revaluation model" for valuing this class of assets in accordance with AASB 116 paragraph 31.

(d) Current Liabilities

Wages, Salaries, Annual Leave and Sick Leave: Liabilities for employee benefits for wages and salaries, annual leave and sick leave to be settled within 12 months of the reporting date representing present obligations resulting from employees' service provided up to the reporting date, are calculated at undiscounted amounts based on remuneration rates that the Diocese expects to pay including related on-costs. The provision is calculated using expected future increases in wage and salary rates and expected settlement dates based on turnover history. The provisions for annual leave and long service leave are backed by cash reserves. Sick leave is not provided for as it is not payable on termination.

Income Billed in Advance: Typically, the Diocese invoices parishes for the recoupment of insurance on property, plant, equipment and undertaking at the same time as payment is made. The benefit of insurance subsists for the entire year. Accordingly, the Diocese accounts for Income Billed in Advance as a Current Liability, which is then recognised across the entire year, consistent with the treatment of insurance premia expenses.

Specific Grants & Donations: As in item (a) Revenue above, specific grants and donations are defined as with specific delivery expectations. The accounting standards require that such grants and donations be treated as liabilities (rather than revenue) until such time as the obligation under which they were received is fulfilled. They shall be recognised as current liabilities, unless it is not reasonably foreseeable that the expectations of the granting party or donor will be fulfilled in 12 months (in which case they shall be recognised as Non-Current Liabilities). This process requires the Ministry Development Team Leader and the Registrar to determine the state of completion of these projects every reporting cycle (i.e. each quarter).

(e) Non-Current Liabilities

Long Service Leave: The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided up to reporting date. Note long service leave may be treated as a current liability as soon as it vests in the employee (i.e. when it must be paid out to the employee on termination).

(g) Equities

Specific Reserves: There are three specific reserve accounts recognised in prior year accounts: Bishopric Endowment Fund, Aboriginal Endowment Fund, and the Redress Contingencies Fund. Every quarter the balances of the underlying assets are matched to their associated reserves (per Property & Finance Committee 28th October 2020 and recommendation of the auditors for 2019 and earlier). For reference, the "Property Fund" is not a fund per se but an alternate name for managed investment.

Specific Grants & Donations: The Diocese receives funds for projects of a specific purpose, without which the funds are returned to their supposed granting party or donor. From 30th September 2020, these reserves are managed in a consistent manner, using "specific donations and grants" liability accounts (for third-parties) and equity accounts (for Diocesan-allocated reserves).

(g) Taxes

Under the provisions of subdivision 50.5 of the *Income Tax Assessment Act 1997*, the Synod of the Diocese of the Northern Territory Inc is exempt from Income Tax.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Controlled entities and activities

Anglicare NT Ltd (ANT) and Individual Parishes: The Synod of the Diocese of the Northern Territory Inc has not consolidated the results and balances. First, Anglicare NT Limited is limited by guarantee and a not-for-profit entity. Whilst the sole member of Anglicare NT Limited is the Diocese, it has no beneficial interest in Anglicare NT Limited save that Anglicare NT Limited aligns with the objects of the Diocese. Accordingly, the Diocese does not recognise its assets and undertaking in the Diocesan accounts. Given the activities of both ANT and DC are different, there are no centralised administrative functions and different forms of fundraising activities, we are of the view that AASB 10 does not apply.

Second, the financial undertaking of individual Parishes are not consolidated into our financial statements as the Diocesan Council believes the inclusion of such results and balances would be misleading to users. The relationship between individual parishes and the Diocese is less clear. A parish is an unincorporated association, subject to the Constitution of the Diocese. From a functional perspective, it is a separate operation to that of the Diocese, employing staff under a separate ABN (subject to approval by the Bishop), enjoying an exclusive right of use of the Diocesan property of the parish area and has a separate ACNC-regulated status as a basic religious charity. Accordingly, the separate nature of the function of each parish and the Diocese demonstrates that it is reasonable not to include

Whilst the legal entity of a parish is The Synod of the Diocese of the Northern Territory Incorporated and the Diocese is effectively the party which enters into contracts on its behalf, the function of the parish and its independent cash, cash flows, accounts receivable and liabilities of a parish culminate into a separate reporting entity, albeit one which has special purpose reporting requirements under episcopal law and ACNC regulations.

Further, the Diocesan Council delegates all its authority in relation to financial and taxation matters of parishes to the Rector as the Bishop's viceroy, who then entrusts those affairs to the Wardens. Accordingly, there is an implied trust that the Wardens are jointly and severally liable for the debts of a parish, but also have a right of indemnity over those cash and near cash assets so long as they act in good faith.

For completion when document supersedes and existing policy, procedure or protocol.

VERSION NUMBER OF THIS DOCUMENT	DATE OF PREVIOUS DOCUMENT	SUMMARY OF CHANGE	REASON FOR CHANGE
1	N/A	N/A	N/A