

**ANGLICAN CHURCH OF SOUTHERN AFRICA
DIOCESE OF JOHANNESBURG**

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

**ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF
JOHANNESBURG**
Annual Financial Statements for the year ended 31 December 2016

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Trustees' Responsibilities Statement

The Trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The Trustees are responsible for determining that the annual financial statements are in agreement with the Canons and Constitution of the Anglican Church of Southern Africa and the Rules of the Diocese of Johannesburg.

The Trustees are also responsible for the Diocese's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on the going concern basis, since the Trustees have every reason to believe that the Diocese has adequate resources in place to continue in operation for the foreseeable future.

The Trustees of the Diocese confirm that as at 31 December 2016, the assets of the Diocese, fairly valued, exceeded its liabilities, fairly valued.

The annual financial statements set out on page 5 - 17, were approved by the Trustees on 21 April 2017.

Approval of financial statements on behalf of the Diocesan Trustees

.....
Rt Revd Dr S M Moreo

Bishop of Johannesburg

.....
P O Goldhawk

Bursar

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

Annual Financial Statements for the year ended 31 December 2016

Independent Auditor's Report

To the Trustees and the Synod of Anglican Church of Southern Africa - Diocese of Johannesburg

Opinion

We have audited the Annual Financial Statements of Anglican Church of Southern Africa - Diocese of Johannesburg set out on pages 8 to 17, which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Anglican Church of Southern Africa - Diocese of Johannesburg as at 31 December 2016, and its financial performance for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Canons and Constitution of the Anglican Church of Southern Africa, and the Rules of the Diocese of Johannesburg.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Diocesan Trustees are responsible for the other information. The other information comprises the Diocesan Bursar's Report as required by the Canons and Constitution of the Anglican Church of Southern Africa, and the Rules of the Diocese of Johannesburg, which we obtained prior to the date of this report. Other information does not include the Annual Financial Statements and our auditor's report thereon.

Our opinion on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Diocesan Trustees for the Annual Financial Statements

The Diocesan Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Canons and Constitution of the Anglican Church of Southern Africa, and the Rules of the Diocese of Johannesburg, and for such internal control as the Diocesan Trustees determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Diocesan Trustees are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Diocesan Trustees either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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Tax practitioner number: PR-0088147 E-Mail: johannesburg@ecovis.com / durban@ecovis.com Registered in: Johannesburg, South Africa
Directors: R Pieterse CA (SA), A D Pienaar CA (SA)

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ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

Annual Financial Statements for the year ended 31 December 2016

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Diocesan Trustees.
- Conclude on the appropriateness of the Diocesan Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

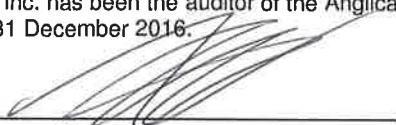
We communicate with the Diocesan Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the annual financial statements, which describes the basis of preparation. The annual financial statements are prepared to provide financial information to the members of the Diocese and to meet the requirements of the Canons and Constitution of the Anglican Church of Southern Africa and the Rules of the Diocese of Johannesburg. As a result, the annual financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees, Members and the Diocese of Johannesburg's legal filing requirements.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that ECOVIS ARB Auditors Inc. has been the auditor of the Anglican Church of Southern Africa - Diocese of Johannesburg for the 5 financial years ended 31 December 2016.



ECOVIS ARB Auditors Inc.
Albert Daniel Pienaar
Director
Chartered Accountants (S.A.)
Registered Auditors

21 April 2017
Johannesburg

**ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF
JOHANNESBURG**
Annual Financial Statements for the year ended 31 December 2016

BURSAR'S REPORT

The bursar has pleasure in presenting his report for the year ended 31 December 2016.

1. Incorporation

The Diocese of Johannesburg is not an incorporated entity and operates as an unincorporated association not for gain.

2. State of Affairs of the Trustees and the Diocesan Finance Board

The Diocesan Finance Board is responsible for the oversight of the financial and administrative affairs of the Diocese to ensure that the Diocese is managed on a sound financial footing. In terms of the provisions of Article XVIII of the Constitution of the Anglican Church of Southern Africa, it operates under authority delegated to it by the Diocesan Trustees.

3. General review of operations

The financial affairs of the Diocese have been through a turbulent period over the past few years which have been reflected in both the results of its activities and the lack of attention to a number of important issues.

Status of audited financial statements

During the year under review, the audits of the financial statements for the years ended 31 December 2012, 2013, 2014 and 2015 were brought up to date and have been submitted to the Interim Diocesan Council who have received them and recommended that they be accepted by the Synod to be held in Johannesburg from 7 to 10 September 2017. These financial statements will also be tabled for acceptance at the same meeting.

Taxation affairs

As a result of the non finalisation of the financial statements, the Diocese had also fallen into serious arrears in respect of its tax affairs with the result that tax returns had not been finalised for the years 2010 to 2014. In addition, the Receiver of Revenue had raised concerns as to the PBO status of the Diocese. All these returns have now been submitted and assessed by the Receiver of Revenue and all amounts due in respect of the assessments have been paid. Following amendments to the Provincial Constitution at the Provincial Synod in 2016, the issues relating to the PBO status of the Diocese have also been resolved.

Financial administration

A number of steps have been taken to strengthen the administration of the Diocese which include the appointment of a strengthened management team. Peter Goldhawk has been appointed as Bursar and Sibusiso Zungu as Diocesan Executive Officer. All financial procedures have been and continue to be reviewed and best practice procedures put in place. We are pleased to report that we are already starting to see the benefit of these measures. One of the biggest problems facing us is weaknesses in the administration of many of the parishes in the Diocese. This issue is being addressed by actions on a wide front.

Ongoing financial concerns

One of the other major problems inherited from the past relates to the seriously underfunded commitment of the Diocese to provide medical aid benefits to retired clergy and their spouses. At the time of the last Synod, the estimate was that the unfunded portion of this liability was some R68 million. As a result of steps put in place following the Synod, this unfunded liability has been reduced to an estimated R12 million. This issue remains a significant concern but we are satisfied that it has been reduced to a manageable problem.

In addition to the above we need to note that the level of borrowings by the Diocese is at an unacceptably high level. The Trustees have borrowings of R8,5 million from the Deposit Fund relating to the costs of acquiring and renovating the St Josephs Diocesan Centre. In addition, the Diocesan Finance Board have borrowed some R5,4 million to fund the losses it has sustained over the last seven years. We are actively working together with the Trustees to find ways in which we can raise money to eliminate these various liabilities.

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

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Financial stability of parishes

We are concerned that we urgently need to find a sustainable model for the financial stability of those parishes without strong cash flows from the parishioners to cover the costs of running the parishes including the costs of a full time Rector. Of concern also is the fact that many parishes have become almost totally reliant on funds received from the rental of parish assets to third parties or income from cell phone masts. Over the last few years, a significant number of parishes have had to be supported financially by the Diocese but this is not sustainable given the financial status of the Diocese. We have put in place procedures to regularly review the financial affairs of these parishes with the relevant Archdeacon and the Trustees.

We are also encouraging parishes to migrate significant elements of their management needs to the MyAnglican church management platform. This is one of the biggest secrets in our Diocese. Every parish has access to advanced but simple software which enables them to:

- Manage their parish roll
- Communicate with parishioners and small groups both by email and SMS
- Keep attendance records up to date
- Provide information on the individual state of giving to parishioners
- Assist in numerous ways with daily tasks.

It also enables the Diocese and Archdeacons to have insight to the activities of parishes on a real time basis.

Structure of the Diocesan Finance Board

We have taken a number of steps to strengthen the Diocesan Finance Board both through the appointment of sub-committees and the appointment of Archdeaconry Finance representatives. The Archdeaconry Finance representatives are undertaking a very important function as they act as financial advisers to their Archdeacons as well as being available to advise the treasurers and wardens of the parishes within their Archdeaconry. They also ensure that the Diocesan Finance Board is properly informed about financial matters affecting their Archdeaconries.

We have established an audit sub-committee to independently review the audit function, a remuneration committee to advise us on remuneration practices as well as to undertake annual review of remuneration packages both for clergy and staff and an insurance sub-committee to advise us on the insurance affairs of the Diocese.

Independent Verifiers

We are very grateful for the time and assistance provided to the Diocesan Finance Board and to the various parishes by the Independent Verifiers. This is a largely unheralded task which is undertaken quietly and efficiently by these volunteers. It is gratifying to note that we had the highest level of compliance with the year end procedures for the 2016 financial year by parishes in a number of years.

Implementation of the Diocesan Vision

The Bishop has commenced a process of implementing a management structure which is more aligned to our strategic vision and mission and our financial administration is also in the process of being similarly aligned. This will have the effect of bringing us closer to the Ministry of all believers.

Non core activities

We have spent a lot of time trying to establish what the core business of the Diocesan Finance Board should be and as a result have challenged those activities which appear out of line such as the operation of the Deposit Fund and our partnership with the Joint Insurance Fund. We are currently looking at better ways of managing these activities.

Diocesan Organisations and Schools

Together with the Trustees, we have been working at trying to better manage both the activities and finances of the various Diocesan Organisations and Schools. This is an area that has been seriously neglected over the last few years and their success is critical to the success of the Diocese. This will be a focal point of our activities in the forthcoming year.

Staff

We are so blessed with the dedication of the staff in the Diocesan Office under the capable leadership of Sibusiso and I would like to express my sincere appreciation to them for their efforts over what has been a very trying year.

4. Going concern

These financial statements present the financial position of the Diocese but do not include the assets, liabilities and results of the 74 Parishes, various organisations and schools which form part of the Diocese.

The Diocesan Trustees and the Diocesan Finance Board are satisfied that the Diocese remains a going concern and will be able to meet its liabilities on an ongoing basis.

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5. Basis of accounting

The Diocese comprises 75 parishes and some associated organisations which operate under the Diocesan mandate, all of which prepare and present their own financial statements.

6. Events after the reporting period

The Trustees are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

7. Auditors

Albert Daniel Pienaar of ECOVIS ARB Auditors Inc. will continue in office for the next financial period.

8. Trustees

The Trustees of the Diocese during the year and to the date of this report are as follows:

Office	Name	Date and nature of change	Meetings attended during 2016	
			Possible	Attended
Bishop of Johannesburg	Bishop Steve Moreo		9	7
Dean of Johannesburg	Dean Xolani Dlwati		9	8
Chancellor	Adv. Ronnie Bracks		9	0
Registrar	Tholoana Makhu	Appointed 10 March 2017	-	-
	Jill Oliphant	Resigned 22 September 2016	5	5
Deputy Registrar	Tholoana Makhu	Appointed Registrar 10 March 2017	9	4
Synod Elected Member	David Butcher	Elected 9 May 2015	9	6
Synod Elected Member	Thipe Mothuloe	Elected 9 May 2015	9	6
Synod Elected Member	Mooketsi Motsisi	Elected 9 May 2015	9	8
Synod Elected Member	Funeka Ndungane	Elected 9 May 2015	9	9
Appointed Advisor	Ludwig Frahm-Arp		9	7
Appointed Advisor	Rick Sharland		9	7
Bursar	Peter Goldhawk	Appointed 4 November 2016	1	1

9. Bursar

Peter Goldhawk was appointed Bursar on 4 November 2016. The Deputy Bursar, Joel Dikgole, tendered his resignation with effect from 31 December 2016. No appointment as Deputy Bursar had been made at the date of this report.

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P O Goldhawk - Bursar
21 April 2017

**ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF
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Annual Financial Statements for the year ended 31 December 2016

Statement of Comprehensive Income

	Note(s)	2016	2015
		R	R
Revenue		11 929 277	10 524 536
Operating expenses		(12 550 672)	(11 271 307)
Operating deficit		<u>(621 395)</u>	<u>(746 771)</u>
Finance income		4 994 441	531 016
Finance costs		<u>(4 014 966)</u>	<u>(1 179 721)</u>
Surplus before taxation		358 080	(1 395 476)
Taxation charge	9	175 909	294 192
Total comprehensive surplus/(deficit) for the year		<u>182 171</u>	<u>(1 689 667)</u>

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

Annual Financial Statements for the year ended 31 December 2016

Statement of Financial Position

	Note(s)	2016	2015
		R	R
Assets			
Non-current assets			
Fixed property held by the Trustees	2	11 248 673	11 246 255
Motor vehicles, computers and office equipment held by the Diocesan Finance Board	2	145 732	130 611
Short and medium term loans	3	15 539 726	16 427 055
		<u>26 934 130</u>	<u>27 803 920</u>
Current assets			
Inventory	4	38 880	89 511
Parish and other debtors		419 830	6 268 511
Other accounts receivable		135 267	112 528
Short term deposit Stanlib		22 349 377	19 766 269
Cash at bank and on hand	5	1 950 454	2 223 684
		<u>24 893 808</u>	<u>28 460 503</u>
		<u>51 827 938</u>	<u>56 264 423</u>
Liabilities			
Current liabilities			
Funds received for short term investment	6	31 804 170	35 302 373
Accounts payable	7	2 344 759	3 251 913
Taxation payable		1 482 156	4 909 403
		<u>35 631 085</u>	<u>43 463 689</u>
Net assets		<u>16 196 853</u>	<u>12 800 734</u>
Equity			
Reserves			
Diocesan Finance Board		-6 316 569	-6 896 801
Trustees		8 477 580	1 452 031
Trustee Development Fund		0	7 298 562
Deposit Fund reserves	8	0	125 048
		<u>2 161 011</u>	<u>1 978 840</u>
Specific funds			
Funds administered by the Diocesan Finance Board	8	14 035 842	10 821 894
		<u>16 196 853</u>	<u>12 800 734</u>

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Statement of Changes in Equity

	Development Fund Reserve	Retained income - Diocesan Finance Board	Diocesan Deposit Fund	Retained income - Diocesan Trustees	Total equity
Balance at 01 January 2015	3 518 840	(6 240 510)		2 135 356	(586 314)
Surplus/(deficit) for the year	(350 051)	(656 291)		(683 325)	(1 689 667)
Transfer of balances from Specific Reserve Funds (Note 11)	4 129 773				4 129 773
Balance at 01 January 2016	7 298 562	(6 896 801)		1 452 031	1 853 792
Transfer to retained income - Trustees	(7 298 562)			7 298 562	0
Transfer from Diocesan Deposit Fund			125 048		125 048
	0	(6 896 801)	125 048	8 750 593	1 978 840
Surplus/(deficit) for the year		182 171			182 171
Transfer of surplus from Deposit Fund		125 048	(125 048)		0
Transfer of loss attributable to Trustees		273 013		(273 013)	0
Net surplus/(deficit) for the year		580 232	(125 048)	(273 013)	182 171
Balance at 31 December 2016	0	(6 316 569)	0	8 477 580	2 161 011

The balance of the Development Fund Reserve at 1 January 2016 was transferred to the Retained income of the Trustees

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

Annual Financial Statements for the year ended 31 December 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Canons and Constitution of the Anglican Church of Southern Africa and the Rules of the Diocese of Johannesburg. The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

In previous years, the financial statements incorporated the results and assets and liabilities of the Diocesan Deposit Fund by way of note. These results have been now included in the results for the current year together with the assets and liabilities relating to the Fund.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

The Trustees did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

Key sources of estimation uncertainty

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

The Diocese is the registered taxpayer for all activities in the Diocese and is responsible for consolidating the results of all Diocesan units and submitting them to the tax authorities. As this work cannot be undertaken until all returns have been received, no estimate of the total liability for taxation is included in the financial statements as all tax incurred by the Diocesan entities is recovered from the relevant entity. Provision is made for taxation on the commercial income of the Diocesan Office.

1.2 Property held by the Diocesan Trustees

Property held by the Diocesan Trustees is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

All land and buildings acquired by parishes and institutions are registered in the name of the Diocesan Trustees as required by the Canons of the Anglican Church of Southern Africa, but only those acquired directly by the Diocesan Trustees are reflected in the statement of financial position.

Land and buildings are stated at cost. Improvements to freehold property are not depreciated. All repairs and minor renovations of buildings are written off immediately.

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

Annual Financial Statements for the year ended 31 December 2016

Accounting Policies

1.3 Fixed assets

Fixed assets are tangible items that are held for use in the supply of services and are expected to be used during more than one period.

Fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of computers and office equipment held by the Diocesan Finance Board 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 computers and office equipment held by the Diocesan Finance Board, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the computers and office equipment held by the Diocesan Finance Board as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	2 years

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

1.4 Parochial contributions

Each Parish promises of its own volition an annual contribution to Diocesan expenses. The financial position of each Parish varies through the year and this may affect their ability to meet the promised contribution. Accordingly the Diocesan Finance Board only brings to account contributions actually received during the year.

1.5 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

Commitments to receive a loan are measured at cost less impairment.

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, are measured at fair value through profit and loss.

ANGLICAN CHURCH OF SOUTHERN AFRICA - DIOCESE OF JOHANNESBURG

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Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on the straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and estimated net selling price, on the first-in, first-out (FIFO) basis.

1.8 Impairment of assets

The Diocese assesses at each reporting date whether there is any indication that computers and office equipment held by the Diocesan Finance Board may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Benefits for Retired Stipendiary Clergy and their spouses

Stipendiary clergy with at least sixteen years of service, and subject to certain other qualifying criteria, are entitled to free medical aid from the medical scheme used for active clergy upon retirement at the normal retirement date laid down in the provincial pension and provident funds, on a joint or survivor basis with their spouses. Costs in this regard are partially funded through specific funds and are partially expensed as incurred. Certain clergy who have been retired for many years whose pensions are inadequate receive ex gratia supplementary grants which are expensed as incurred. Stipendiary clergy are required to belong to either the defined benefit pension fund (now closed to new members) or a defined contribution provident fund that serve the Anglican Church of Southern Africa. Contributions are paid by parishes and members monthly.

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Annual Financial Statements for the year ended 31 December 2016

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when the Diocese has an obligation at the reporting date as a result of a past event; it is probable that the Diocese will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Trade and other receivables

Trade and other receivables originated by the Diocese are stated at cost less provision for doubtful debts.

1.13 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.14 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period.

Notes to the Annual Financial Statements

Figures in Rand

2. Fixed assets

Summary of property and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Fixed Property owned by the Trustees	11 248 673		11 248 673	11 246 254		11 246 254
Computers and Office equipment	958 636	(812 904)	145 732	948 748	(818 137)	130 611
Total	12 207 309	812 904	11 394 405	12 195 002	(818 137)	11 394 865

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Fixed Property owned by the Trustees	11 246 254	2 419			11 248 673
Computers and Office equipment	130 611	40 085		(24 964)	145 732
Total	11 394 865	42504		(24964)	11 394 405

	Opening balance	Additions/	Transfer from Development properties	Depreciation	Total
Fixed Property owned by the Trustees	10 682 933	30 443	532 878		11 246 254
Computers and Office equipment	165 493	4 446		(39 328)	130 611
Total	10 848 426	34 889	532 878	(39 328)	11 394 865

	2 016 R	2015 R
Fixed Property owned by the Trustees		
Cost		
Bishop's House, 4 Crescent Drive, Westcliff	274 529	274 529
St. Joseph's Home – Sophiatown	10 441 266	10 438 847
Portion 1, Lot 52 12th Avenue Ruimsig	120 000	120 000
Community Centre in Randfontein **	245 720	245 720
Undeveloped property in Cosmo City **	167 158	167 158
	11 248 673	11 246 254

** - these assets were reflected as Development Fund Assets in the previous year

	2016 R	2015 R
3. Short and medium term loans		
Loans to parishes and institutions by the Trustees	1 039 400	1 474 763
Medium term loans to Diocesan Units	15 635 631	14 952 291
	<u>16 848 225</u>	<u>16 427 054</u>
Less provision for doubtful debts	(1 135 305)	-
	<u>15 539 726</u>	<u>16 427 054</u>

The loans to parishes and institutions and Diocesan Units are unsecured, bear interest at prime less 2% (2015 – prime less 2%) and are being repaid at agreed monthly rates based on the individual circumstances of the borrower.

4. Inventories

Books, stationery and Church supplies	<u>38 880</u>	<u>89 511</u>
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5. Cash at bank and on hand

Diocesan Finance Board	1 053 642	76 901
Deposit Fund	896 812	2 146 781
	<u>1 950 454</u>	<u>2 223 682</u>

6. Funds received for short term investment

Parishes	14 034 499	21 221 273
Diocesan Organisations	17 769 671	14 081 100
	<u>31 804 170</u>	<u>35 302 373</u>

7. Accounts payable

Accrued expenses	575 600	1 695 014
Provision for audit fees	160 000	319 387
Provision for costs relating to property sales	450 000	450 000
Provision for leave pay	105 518	98 737
Sundry payables	1 053 641	688 775
	<u>2 344 759</u>	<u>3 251 913</u>

8. Diocesan Finance Board - specific funds

Reconciliation of Diocesan Finance Board - specific funds - 2016

	Opening balance	Additions	Utilised during the year	Closing Balance
Clergy and Family Education Fund	1 294 306	51 321		1 345 627
Group Life Benefit Fund	2 778 321	129 572		2 907 893
Joint Ordination Candidates Fund	623 912	39 981	(23 041)	640 852
Pensioners Medical Fund - Pre 1955	5 410 355	640 859	(355 906)	5 695 308
Pensioners Medical Fund - Post 1955	715 000	2 080 000		2 795 000
	<u>10 821 894</u>	<u>2 941 733</u>	<u>(378 947)</u>	<u>13 384 680</u>

Reconciliation of Diocesan Finance Board - specific funds - 2015

	Opening balance	Additions	Utilised during the year	Closing Balance
Clergy and Family Education Fund	1 251 499	42 807		1 294 306
Group Life Benefit Fund	2 580 410	197 911		2 778 321
Joint Ordination Candidates Fund	607 730	16 182		623 912
Pensioners Medical Fund - Pre 1955	4 610 815	1 514 540	(715 000)	5 410 355
Pensioners Medical Fund - Post 1955	0	715 000		715 000
	<u>9 050 454</u>	<u>2 486 440</u>	<u>(715 000)</u>	<u>10 821 894</u>

Note: The reserves of the Diocesan Deposit Fund at 31 December 2015 were transferred to equity following the inclusion of the assets and liabilities of the Fund in to these financial statements (see note 1)

9. Taxation

The Diocese, inclusive of all parishes and those Diocesan organisations which have not registered as Public Benefit Organisations in their own right, has been approved as a Public Benefit Organisation in terms of Section 30 of the Income Tax Act ("the Act"). Accordingly, receipts and accruals derived from activities that are integral to the functioning of the Diocese in pursuit of its principal object and which do not result in unfair competition with taxable entities are exempt from income tax in terms of section 10(1)(cN) of the Act. Income tax is payable on the net commercial income of the Diocese at 28% (2015: 28%).

Only the tax attributable to the affairs of the Diocese is reflected in these accounts whilst tax attributable to the relevant parishes and Diocesan organisations is recovered from the relevant party.

10. Going concern

These financial statements present the financial position of the Diocese and do not include the assets, liabilities and results of the 75 Parishes, various organisations and schools which form part of the Diocese. The Diocesan Trustees and the Diocesan Finance Board are satisfied that the Diocese remains a going concern and will be able to meet its liabilities on an ongoing basis.

11. Contingent liabilities

The Diocese has a contingent liability in respect of the funding of future payments to retired clergy in respect of augmented pensions and post-retirement medical aid. As at 31 December 2016 this amount has been determined as R11,2 million which costs will be met out of future income.

Anglican Church of Southern Africa

Diocese of Johannesburg

DETAILED INCOME STATEMENT - UNAUDITED

for the year ended 31 December 2016

	2016	2 015
	R	R
DIOCESAN FINANCE BOARD		
INCOME		
Parochial Contributions	9362639	7951611
Parish contributions	7302446	6813479
Administration levy	713692	
Clergy contributions - vacant parishes	680665	331129
Retired clergy medical aid	355907	217800
Special donations from parishes	309929	589203
Organisations	1125500	699600
Organisations Contributions	180000	86000
Parish villages	945500	613600
Financing activities	5565329	956605
Interest received - internal	3175393	
Interest received - external	1538016	
Interest sharing - internal	681032	472761
Income from tax sharing	170889	483844
Transfers from funds		
- Joint Ordination Fund	23041	16182
	16076510	9623999
EXPENDITURE		
Bishops office	1560624	1476874
Diocesan Administration Office	2965598	2736588
General Diocesan expenses	2433554	1246219
Training	1213847	1210930
Retired persons	1443742	1994732
ACSA - Common Provincial Fund	1725036	1702371
Outreach	88053	100114
Interest paid - short term investments	4014964	
Taxation on commercial income	175909	(187539)
Total expenditure	15621326	10280290
NET SURPLUS/(DEFICIT) of Diocesan Finance Board for the period	455184	(656291)
JOHANNESBURG DIOCESE TRUSTEES		
Income from Trust assets	847209	1431553
Expenditure relating to Trust assets	1120221	2464930
NET SURPLUS/(DEFICIT) of Trustees for the year	(273013)	(1033376)
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	182171	(1689667)