

EXCEPTED STATUS

MAIN POINTS -

Each local Church

- **is a charity (1)**
- **excepted status (2)**
 - its annual income will determine whether it is required to register with the Charity Commission (in England and Wales) while in Scotland all local churches are required to register - the same principle applies to circuits and districts - if registration is not required the church retains its excepted status
- **registered status (3)**
- **must prepare an annual report and accounts (4)**
- **must complete ~~Schedule B~~ The Standard Form of Accounts each year (5)**
- **financial reporting (6)**

1 Each local Church is a charity

The Methodist Church is not one charity, but many; each local church, Circuit and District being a separate charity in its own right.

The charity trustees or managing trustees are
in the local Church- the Church Council,
in the Circuit - the Circuit Meeting,
in the District - the District Trustees (appointed by Synod).

2 ~~Excepted Status Not registered~~ ~~but excepted~~

While generally most charities are registered charities, local churches, circuits and districts in England and Wales with annual income over £100,000 are required to register with The Charity Commission. Those with income of £100,000 or below retain their excepted status under Statutory Instrument.

Excepted Status now only applies to charities in England and Wales.

The effect of excepted status is that annual accounts and an annual report do not have to be submitted to the Charity Commission.

Excepted charities do not have a registration number and should a number be requested by a prospective donor, a bank, or for any other reason the HMRC (Her Majesty's Revenue & Customs) number should be quoted.

Most charities are registered charities and have a charity registration number.

Methodist charities **whose income is under the registration threshold of £100,000** (Churches, Circuits and Districts) are not registered, but have excepted status by Government Statutory Instrument. The effect of this exception is that no information needs to be submitted to the Charity Commission (unless asked for); and Churches, Circuits and Districts do not therefore have a registration number.

Though they do not have to register, they may be asked to quote a charity number - for example, when opening a bank account. In this case they should give the number of the statutory instrument which gave

authority to their excepted status.. This is quoted on The Standard Form of Accounts and in the appendix. When our excepted status is reviewed the number will change.

3 Registered Status

The Charities Act 2006 required all religious charities in England and Wales with annual income over £100,000 to register with the Charity Commission.

The Charities & Trustee Investments (Scotland) Act 2005 required all religious charities in Scotland to register with OSCR (The Office of the Scottish Charity Regulator) whatever their level of income.

These two Acts of Parliament were the most recent legislation affecting charity registration and different requirements apply in other jurisdictions i.e. the Isle of Man, Jersey and Guernsey.

4 Annual report and accounts

Methodist charities which are still Excepted must prepare an annual report and accounts like registered charities but, unlike registered charities, they do not have to send their annual report and accounts to the Charity Commission.

However, the **excepting** order gives the right to the Charity Commission to require any charity (*including those which are excepted*) to submit accounts to them upon request.

5 The Standard Form of Accounts

All Methodist churches, circuits and districts must complete this form annually. In addition the Annual Accounts must be audited or independently examined.

The table below provides the current financial thresholds which apply.

Table of Financial Thresholds

Method of Accounting

	England and Wales	Scotland and Shetland	Isle of Man	Channel Islands
Receipts & Payments	Gross income below £250,000	Gross income below £100,000	Below £100,000	Follow guidance for England and Wales
Accruals	Gross income over £250,000	Gross income over £100,000	Over £100,000	

External Scrutiny

	England and Wales	Scotland and Shetland	Isle of Man	Channel Islands
Audit by Registered Auditor	Gross income over £500,000 Or Gross income over £250,000 and Gross Assets over £3.26m	Gross income over £500,000 Or Gross income over £100,000 and Gross Assets over £2.8m Audit required in following two years	Income over £100,000	Follow guidance for England and Wales
Independent Examination	Where income or income/gross assets do not exceed the Audit thresholds. If income exceeds £250,000 independent examination by a qualified examiner of a body specified under the 2006 Act (see CC63a)	Where income or income/gross do not exceed the Audit thresholds. (Independent Examination by a member of a professional accounting body)	Income below £100,000	

(Threshold is linked to gross income or gross income and gross assets alone, and not to expenditure) *New thresholds in England and Wales for 2008-09 relate to Annual Accounts whose year end is 1 April 2009 or later.*

This, of course, includes all local churches, Circuits and Districts

Instead of submitting accounts to the Charity Commission every Methodist charity must complete **The Standard Form of Accounts** each year and submit this, *via the appropriate church court (Church to Circuit, Circuit to District and District to the appropriate Connexional Office)*. Districts send completed forms direct to the **Finance Office at Methodist Church House** . The Standard Form of Accounts is an extract of the accounts and its completion fulfils the requirements of the Exception Order and of the Methodist Church.

As our excepted status is reviewed periodically **it is essential that accounts and The Standard Form of Accounts are correctly prepared.**

All money held and controlled by the Church Council must be reported. This demonstrates to the Charity Commission that the **managing trustees** are **fulfilling their obligations** under charity law. District Synods are required to report to the Finance Office of the Methodist Church the names of any managing trustee bodies which fail to submit returns. In the case of persistent negligence the **Connexional Team** may report the matter to the Charity Commission.

6 Financial Reporting

The Conference endorsed the proposals which will be implemented with effect from the financial year end 31 August 2010.

The changes are as follows:

The Standard Forms of Accounts and Reserves Policies will be reported from 2009-10:-

- 2) By Local Churches to the Circuit Treasurer (only)
- By Circuits to the District Treasurer (only)
- By Districts to the Finance Office in Methodist Church House

It will no longer be necessary for local Church and Circuit forms to be sent to the Connexional Office via the District.

These revised arrangements will continue to be compliant with the requirements of the Exempting Regulations (Statutory Instrument No.2655 of 2007) and will apply to both registered and excepted charities.

By reporting in this way the trustees, in effect, satisfy the requirement in the Statutory Instrument to report their accounts to the Conference, or other body so designated.

Of course any church, circuit or district who is now a registered charity must also report to the Charity Commission.

Otherwise, these changes in the reporting process do not affect the Standard Forms themselves