

13. Unified Statement of Connexional Finances

Contact name and details	The Revd Timothy A Swindell Connexional Treasurer Tim.Swindell@methodist.org.uk
Resolution	13/1. The Conference receives the Report as the Unified Statement of Connexional Finances required by SO 360.

Summary of content

Subject and aims	Summary extracts of the full consolidated accounts of the Methodist Church for 2017/2018 which were adopted by the Methodist Council and are presented to the Conference as the unified statement of connexional finances required by Standing Order 360.
Main points	These accounts consolidate figures for a wide variety of Methodist activities and entities.
Background context and relevant documents	When the Methodist Church was registered with the Charity Commission it was agreed that the accounts of the registered charity would be those of the Methodist Council. The full consolidated accounts were presented to the Council and adopted by the Council under SO 212(1). They are available for scrutiny on the Methodist Church website and in printed form from the Finance and Resources Team at Methodist Church House. Under SO 360 the Council is required to present to the Conference a “unified statement of connexional finances ... so as to give an overall view of those moneys and other assets for which the council is responsible”. This Report consists of extracts from the full consolidated accounts which provide a summary of them to meet that requirement. It is submitted to the Conference as the trustee body of the registered charity.

1. Link to the financial statements

The accounts can be viewed online at: www.methodist.org.uk/trusteesreport

2. Strategic objectives, aims and purposes of the Methodist Church

The activities covered in these accounts fall within the work of the Methodist Church. The strategic objectives of the Methodist Church are directly linked to its aims. They are:

- Worship – to increase awareness of God’s presence and to celebrate God’s love;
- Learning and Caring – to help people to learn and grow as Christians, through mutual support and care;
- Service – to be a good neighbour to people in need and to challenge injustice; and
- Evangelism – to make more followers of Jesus Christ.

3. Public benefit requirement

The trustees of the Methodist Church had due regard to the public benefit guidance published by the Charity Commission in compliance with its duties under section 17 of the Charities Act 2011. This guidance sets out two key principles:

- the organisation must have an identifiable benefit.
- the benefit must be to the public or a section of the public.

The Church exists, inter alia, to:

- increase awareness of God’s presence and to celebrate God’s love;
- help people to learn and grow as Christians, through mutual support and care; and
- be a good neighbour to people in need and challenge injustice.

The trustees consider that for these reasons the charity meets these public benefit requirements.

4. Organisation of the work

In 2017/2018 the Methodist Church, in response to its calling and in pursuit of the strategic objectives (worship, learning and caring, service and evangelism), organised its work in the following key areas:



5. Financial review

The activities covered in these consolidated financial statements are those under the oversight of the Methodist Council. The Methodist Church in Great Britain is the registered charity and the Charity Commission has agreed that these financial statements can properly serve as the financial statements of the charity.

The total income for the year was £43.4m (2017: £46m) a decrease of 5.8% compared to the previous year. The net income for the year was a surplus of £0.24m (2017: £16m), a decrease of 98.5%, including net investments gains of £6.7m (2017: £18m).

Other recognised gains for the year were £11.2m (2017: £9m). £11m arose from the actuarial revaluation of the Pension and Assurance Scheme for Lay Employees of The Methodist Church. The gain arose due to changes in the assumptions used to value the Scheme assets and liabilities for the financial statements. (These assumptions may be different to those used to calculate future contributions.)

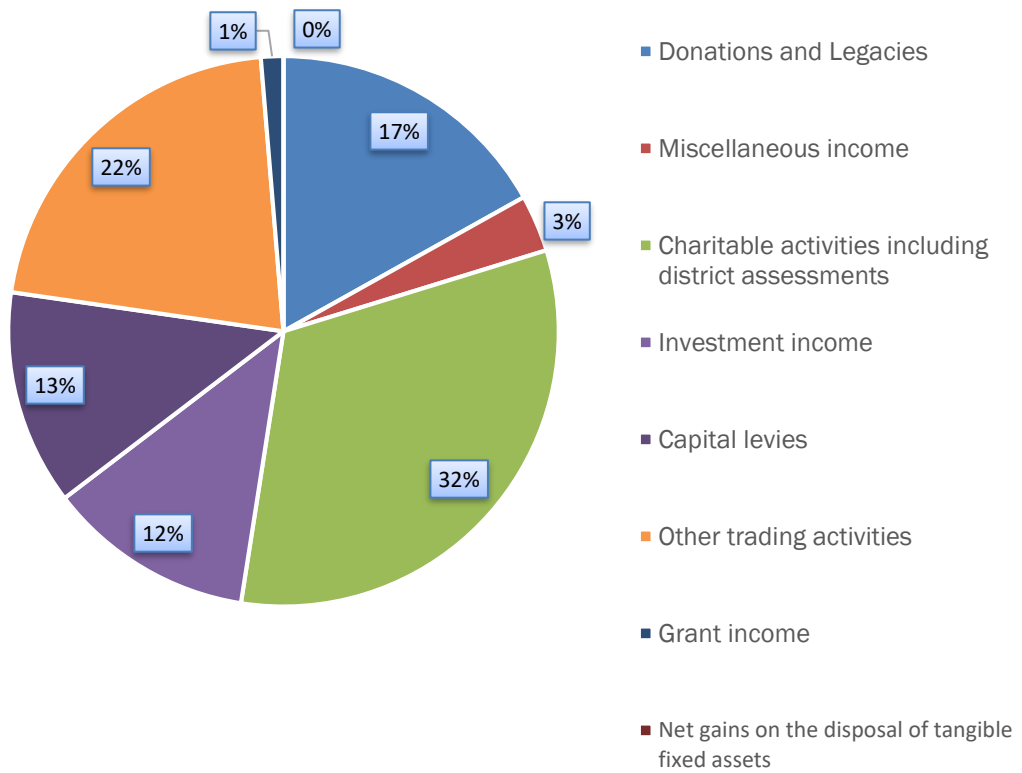
Income

Total income decreased by 5.8% this year mainly due to a decrease in property levies of 37.3% with fewer properties sold compared to previous year. There was however a decrease of 9.5% on trading activities and increase of 13.7% on investment income.

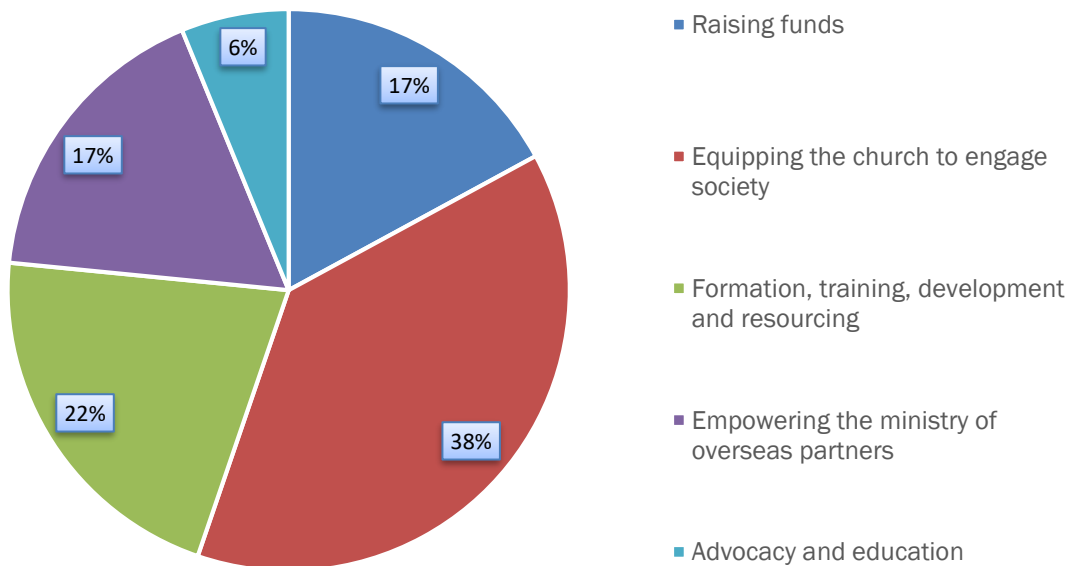
Expenditure

Total expenditure increased by 4.2% to £50m (2017: £48m). Of this, £41.3m was spent on direct charitable activities (2017: £39m). This includes all amounts spent in furtherance of our mission including grants and direct programme activities. Spending from restricted funds was greater than income by 38.1%. This is reflecting the reserves policy of the Council to reduce reserves to new policy levels and use excess reserves in a planned manner over three years.

Methodist Church in Great Britain - Total Income £43.4m



Methodist Church in Great Britain - Total Expenditure £50m



6. Investments

The total value of funds held at 31 August 2018 was £284m (2017: £273m). There are restricted reserves of £168m (2017: £172m), unrestricted reserves of £96.1m (2017: £82.4m), and endowment reserves of £20m (2017: £19m).

As at 31 August 2018, the Church held fixed asset investments with a fair value of £189 million (2017: £181 million). The Investment Committee regularly reviews the investment portfolio and performs an annual review of the investment policy. The Church's investment objective is to seek an optimal return from income and capital combined. The Investment Committee is satisfied with the overall performance of the investment portfolio against agreed benchmarks.

7. Consolidated statement of financial activities – see over

8. Consolidated balance sheet – see over

Consolidated statement of financial activities

For the year ended 31 August 2018

	Notes	Unrestricted £000	Restricted £000	Endowment £000	2018 Total £000	Unrestricted £000	Restricted £000	Endowment £000	2017 Total £000
Income and endowments from:									
Donations and legacies	3a	1,206	6,123	-	7,329	653	6,699	-	7,352
Charitable activities	3e	13,466	516	-	13,982	13,325	71	-	13,396
Investments	4a	1,487	3,788	-	5,275	1,320	3,318	-	4,638
Other trading activities	5a	7,650	1,636	-	9,286	8,049	2,214	-	10,263
Other									
Capital levies	6a	5,484	-	-	5,484	8,742	-	-	8,742
Grants	6b	6	565	-	571	-	585	-	585
Miscellaneous income	3c	786	665	-	1,451	572	485	-	1,057
Net gains on the disposal of tangible fixed assets		-	-	-	-	-	2	-	2
Total income		30,085	13,293	-	43,378	32,661	13,374	-	46,035
Expenditure on:									
Raising funds	7a	6,816	1,515	16	8,347	6,404	1,977	15	8,396
Charitable activities									
Equipping the church to engage society	7a, 20a, 21a	13,183	5,857	-	19,040	12,551	6,174	-	18,725
Formation, training, development and resourcing	7a, 20a, 21a	7,172	3,448	-	10,620	7,106	3,518	-	10,624
Empowering the ministry of overseas partners	7a, 20a, 21a	1,707	6,868	-	8,575	1,534	6,103	-	7,637
Advocacy and education	7a, 20a, 21a	2,413	672	-	3,085	2,322	97	-	2,419
Net loss on the disposal of tangible fixed assets		-	-	-	-	37	-	-	37
Total expenditure on charitable activities		24,475	16,845	-	41,320	23,550	15,892	-	39,442
Total expenditure		31,291	18,360	16	49,667	29,954	17,869	15	47,838
Net gains on investments	14a	2,607	2,925	1,000	6,532	3,444	13,044	1,376	17,864
Net income		1,401	(2,142)	984	243	6,151	8,549	1,361	16,061
Transfers between funds	22	1,332	(1,513)	181	-	1,187	(1,340)	153	-
Net income after transfers		2,733	(3,655)	1,165	243	7,338	7,209	1,514	16,061
Other recognised gains and losses:									
Remeasurement of net defined benefit pension scheme liability	28	11,024	139	-	11,163	8,644	63	-	8,707
Gains on revaluation of charitable properties		-	-	-	-	55	-	-	55
Net movement in funds		13,757	(3,516)	1,165	11,406	16,037	7,272	1,514	24,823
Total funds at 1 September		82,373	171,501	18,960	272,834	66,336	164,229	17,446	248,011
Total funds at 31 August		96,130	167,985	20,125	284,240	82,373	171,501	18,960	272,834


The Methodist Church in Great Britain
Balance Sheets as at 31 August 2018


	Notes	The Methodist Church in Great Britain		The Connexional Funds	
		2018 £000	2017 £000	2018 £000	2017 £000
Fixed assets					
Intangible assets	13c	165	178	154	176
Tangible fixed assets	13	96,536	96,210	88,281	88,853
Investments	14	188,685	181,424	165,865	158,694
		285,386	277,812	254,300	247,723
Current assets					
Stocks	17	83	119	68	103
Debtors	15	5,100	6,112	4,876	5,215
Short-term deposits		14,729	24,133	13,284	21,456
Cash at bank and in hand		7,259	6,612	2,262	2,049
Total current assets		27,171	36,976	20,490	28,823
Creditors					
Amounts falling due within one year	16a	(16,789)	(20,751)	(15,432)	(18,578)
Net current assets		10,382	16,225	5,058	10,245
Total assets less current liabilities		295,768	294,037	259,358	257,968
Creditors					
Amounts falling due after more than one year	16b	(9,667)	(9,476)	(5,745)	(5,767)
Net assets excluding pension liability		286,101	284,561	253,613	252,201
Defined benefit pension scheme liability	28	(1,861)	(11,727)	(1,861)	(11,727)
Net assets including pension liability	23	284,240	272,834	251,752	240,474
The funds of the charity					
Unrestricted funds					
General funds		46,893	45,440	45,903	44,710
Designated funds		49,237	46,543	48,953	46,543
Defined benefit pension scheme liability	28	-	(9,610)	-	(9,610)
Total unrestricted funds	19,24	96,130	82,373	94,856	81,643
Restricted funds	20,24	167,985	171,501	136,771	139,871
Endowment funds	21	20,125	18,960	20,125	18,960
Total funds		284,240	272,834	251,752	240,474

Total unrestricted funds include revaluation reserve of £6.5m (2017: £6.5m) for both The Methodist Church in Great Britain and the Connexional Funds. Total restricted funds include revaluation reserve of £58.5m (2017: £58.5m) for The Methodist Church in Great Britain and £56.5m (2017: £56.5m) for The Connexional Funds.

The notes on pages 36 to 81 form an integral part of these accounts.

Approved and authorised for issue by the Board of Trustees on 31 January 2019 and signed on their behalf by:


 Mrs E Jill Baker
 Chair of the Council


 The Reverend Timothy Swindell
 Connexional Treasurer

9. Statement of trustees' responsibilities

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure of the charity for that period. In preparing these financial statements, the trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) observe the methods and principles in the Charities SORP;
- c) make judgements and estimates that are reasonable and prudent;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution proposing the re-appointment of RSM UK Audit LLP as auditor to the charity was approved by the Methodist Council.

RSM UK Audit LLP has indicated its willingness to continue in office.

*****RESOLUTION**

13/1. The Conference received the Report as the Unified Statement of Connexional Finances required by SO 360.

Independent Auditor's Report to the Trustees of The Methodist Church in Great Britain

Opinion

We have audited the financial statements of Methodist Church in Great Britain (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 August 2018 which comprise the Consolidated Statement of Financial Activities, the Connexional Funds Statement of Financial Activities, the Consolidated and Connexional Funds Balance Sheets, the Consolidated and Connexional Funds Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charity's affairs as at 31 August 2018 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the *Consolidated Report and Financial Statements* other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Report; or
- sufficient accounting records have not been kept by the parent charity; or

- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out in section 9, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charity'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 trustees either intend to liquidate the group or parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent, permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row, Birmingham
West Midlands B2 5AF

Date: 22 February 2019

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.