

GUIDANCE NOTES FOR STANDARD FORM OF ACCOUNTS CHURCH Accruals basis

Method of Accounting - Accruals

This Standard Form of Accounts (Accruals) must be used where the Church's gross annual income from all sources (including income from Internal Organisations) exceeds the Accruals threshold of £250,000. (See the Methodist website <https://www.methodist.org.uk/for-churches/finance/standard-form-of-accounts/>).

At the discretion of the church, the accruals basis may be used where gross income is below the threshold.

All of the financial thresholds are based upon gross income. Expenditure is not taken into account.

To calculate gross income for threshold purposes add the Total Incoming Resources figures shown in the Statement of Financial Activities (SOFA) line 7 in columns 1 to 3 (General and Restricted Funds).

Accruals Accounts include all Incoming Resources and Resources Expended relating to the period regardless of when they were received or paid. This differs from the Receipts and Payments method which is based on cash movements in the year.

Accounts Scrutiny Requirements

Where gross income exceeds the audit threshold an audit is required by a Registered Auditor. **(Details are on the Methodist website)**

Where an audit is required the auditor may produce a set of SORP compliant accounts without also completing the Standard Form of Accounts. The Declaration Form from the latter should be completed and attached.

Where an audit is **not** required an Independent Examination is the appropriate method of scrutiny. See Methodist website for more detailed guidance. (Thresholds Table)

Registered Auditors have their own professional requirements. There is a Charity Commission booklet of guidance notes for Independent Examiners and information is available on the Methodist website under Managing Trustees and Methodist Money.

An Auditor or Independent Examiner must not be a member of the Church Council or any sub Committee, nor a close family member or business associate of a trustee.

The Charity Regulator guidelines indicate that a major contributor to, or beneficiary of, a charity does not have the necessary degree of independence to act as an Independent Examiner.

Annual Report and Accounts

All local Churches are required by the Methodist Conference to submit their annual accounts to the Circuit Treasurer by **31st March**. This requirement is fulfilled by the completion of the Standard Form of Accounts or a set of Accounts audited by a Registered Auditor together with a separate Declaration and Examiner's Report form signed by the Treasurer and Chair of the Trustees.

Methodist churches are required to prepare and complete Annual Accounts to meet the requirements of the Conference for all jurisdictions and of the Charity Commission for England & Wales or OSCR (The Office of the Scottish Charity Regulator) for Scotland.

Charity Registration

In England and Wales religious charities with a gross income exceeding £100,000 are required to register with the Charity Commission. All other churches with an income below this threshold continue to be Excepted Charities under Statutory Instrument 2014 No.242. If required, Churches should make their accounts available to the public on request.

In Scotland Churches have registered with the Office of The Scottish Charity Regulator (OSCR) in order to maintain charitable status under the Charities and Trustee Investment (Scotland) Act 2005. The Exempting Order no longer applies.

In the Isle of Man religious charities are exempt from registration. In the Channel Islands new legislation is being considered in Jersey but not in Guernsey. In the absence of specific regulations a Standard Form of Accounts must be completed.

Further Information

Additional information can be provided to the Church Council to give more detail and Treasurers may design their own forms for this purpose to suit local needs. The Church Council should carry out an annual review of their activities and report accordingly in the Trustees' Annual Report. A model is available on the Methodist website.

The Charities Act 2011 requires registered charities to complete a Trustees' Annual Report. A full report is required where the charity is required to carry out an audit. A briefer report is permissible in the case of all other charities. (Guidance is available from the Charity Commission website).

The Trustees' Annual Report should be prepared along with the Annual Accounts and include objectives and activities and confirm the trustees have established a reserves policy.

The Standard Forms of Accounts follow the requirements of the Statement of Recommended Practice 2005 (The Charities SORP) and are **also endorsed by the Charity Commission and the Office of the Scottish Charity Regulator (OSCR).**

Reporting Process

The separate Declaration and Examiner's report form must be signed by the Treasurer and by an Independent Examiner or Auditor, as appropriate. It must then be adopted by the Church Council and signed by the Chair of the Managing Trustees.

Audit

Where an audit is carried out by a Registered Auditor the Standard Forms need not be completed though the format used is a preferred format if the Auditor concurs.

The Standard Form of Accounts should then be forwarded to the Circuit Treasurer no later than **31 March** following the accounting year end.

How to complete the Form

Round all amounts to the nearest £.

STATEMENT OF FINANCIAL ACTIVITIES (SOFA) for the year ending 31 August.

INCOMING RESOURCES

Offerings and Tax recoverable - Include all offerings receivable for the year and the tax recoverable under Gift Aid. **Do not include** collections received for other beneficiaries, charities, or external organisations.

Interest and Investment Income - Include all bank and Central Finance Board (CFB) interest receivable under this heading including interest income from deposits with The Trustees for Methodist Church Purposes (TMCP). Where the use of income is restricted the amount should be entered in the Restricted Funds column.

Lettings - If the Church premises are let or hired out, show the income on this line.

Other Income – Show all other receivables under this heading including any capital receipts which are treated as income.

Further details of this total, if necessary, may be shown in a Note separately.

Internal Organisations – If these figures are not available when the main accounts are presented to the Church Council, ensure that the figures are included in determining gross income for threshold purposes.

Total Incoming Resources - Total of lines 1 – 7.

RESOURCES EXPENDED

Circuit Assessment or Share - Enter the amount payable to the Circuit (and, in the case of Local Ecumenical Partnerships (LEPs), any amount charged or given by the church to the LEP partner).

Grants and Donations - Include all money donated to other causes out of Church funds. (Do not include money that has been specially collected for payment to **other beneficiaries/external organisations**, which should be recorded as explained below.

Repairs and Maintenance - Include here all repairs, maintenance and renewals to the church and ancillary buildings payable for the year including the purchase of replacement equipment for use in the church buildings, unless the equipment is to be capitalised in the Balance Sheet.

Insurance, Utilities etc - This heading includes the cost of charges for gas, electricity, water charges, and insurances and any Council taxes.

Depreciation -The charge for the year on any fixed assets capitalised in the Balance Sheet.

Provisions made in period– Sums set aside for future anticipated expenditure.

Internal Organisations – If these figures are not available when the main accounts are presented to the Church Council ensure that the figures are included in determining gross income for threshold purposes.

Total Resources Expended- Total of lines 9 to 16.

Net Incoming Resources - Deduct line 17 from line 8 to arrive at the Net Incoming Resources for the year. Where Resources Expended exceed Incoming Resources, put the resultant amount in brackets.

Transfers between funds - This will balance to nil across the columns. If there are movements between two or more funds show the net amount overall.

Sub Total - If the figures on line 19 are positive, add to line 18; if negative, subtract to arrive at the **Sub total** on line 20.

Gains and Losses on investment assets - This is the total of any gains and losses resulting from the revaluation of investment assets to market value at the end of an accounting period and any gains and losses resulting from the disposal of investment assets during the year. Add to (or subtract from) the Subtotal on line 20 to arrive at the Net movement in funds (line 23).

Total funds brought forward - Bring forward the figures from last year's accounts. The figure for total funds carried forward at the end of previous year (Line 25 in the 'previous year totals' column) should be the same figure inserted for total funds brought forward from last year (Line 24 in the 'Totals this year' column.)

An Internal Organisations Report Form, which is distributed with the Standard Form of Accounts, must be completed by each Internal Organisation to enable Total Incoming Resources and Resources Expended figures for the Church to be calculated.

Transfers between Church and Internal Organisations are not part of gross income or total expenditure.

COLLECTIONS FOR EXTERNAL ORGANISATIONS

Collections for external organisations are not part of the Incoming Resources of the church. Nevertheless many readers wish to see these prominently displayed in the accounts. The total amount collected for and disbursed to external organisations may be shown in the boxes at the bottom of the SOFA page.

Collections for External Organisations-
Include any amounts receivable.

Payments to External Organisations –
Show amount payable.

GUIDANCE NOTES – BALANCE SHEET as at 31 August.
(See 'Notes to the Accounts' page tab)

Together, the main Church accounts and the accounts of the Internal Organisations make up the financial position of the Charity. These figures are combined in the SOFA. The Total Incoming Resources determine the method of accounting required and the method of accounts scrutiny.

Various publications (including help for independent examiners) are available from the Charity Commission website (www.charitycommission.gov.uk) or Tel 0300 066 9197 and the OSCR website (www.oscr.org.uk) tel 01382 220446.

With a view to reducing unnecessary bureaucracy the Methodist Council has obtained agreement from the Charity Commission to amend financial reporting procedures within the Church. Local church accounts need only to be reported to the Circuit and Circuit accounts to the District. All registered Charities will need to report both via the Methodist reporting line and to the Charity Commission for England and Wales or to OSCR in Scotland.

Further details are available on the Methodist website www.methodist.org.uk.