

## PROPERTY VALUATION (updated March 2010)

### Main point:

- **how to value the Church property - in accruals accounting (56)**  
**- in receipts and payments (57)**

The **managing trustees** do not hold the title to the property. The Trustees for Methodist Church Purposes are **custodian trustee** and hold the legal title to all model trust property. However as managing trustees, the Church Council are responsible for its repair and maintenance.

The property referred to here is the bricks and mortar, and for most Churches that comprises the **chapel** and any **other buildings**. (With only few exceptions these will be **model trust property**.)

### 56 In Accruals Accounting

Charity accounting rules require that if accounts are prepared on an **Accruals basis** property must be included, together with other Church assets, in the balance sheet at a value.

- if the property is held **as investment** (for example a house left as an endowment is let out for rent) then the property must be recorded in the accounts at **market value**.
- if the property is a functional asset (ie. used for charitable purposes such as a Church or hall) then it can be recorded at **cost** or **valuation**.

For Churches built within the past twenty years the use of cost would not be unreasonable - otherwise the managing trustees must decide upon the most reasonable estimate. Where a balance sheet is prepared a note of explanation should be included.

A professional valuation is **not** necessary, though a reasonable basis should be used. The Church Council may choose to **base** the valuation on the buildings insurance figure. However depending upon the basis of cover and the value of the land a suitable adjustment should be made. Generally speaking the insurance value will be greater than the likely value on sale since the insurance figure allows for rebuilding. However in some areas the value of land will be such that the value of the site will far exceed the value of any buildings upon it.

### 57 In Receipts and Payments accounts

For **Receipts and Payments accounts**, no valuations are required though trustees are encouraged to put a property valuation figure in the statement of assets and liabilities (This can be the buildings insurance figure). The statement should include the value of other Church assets such as furniture, silverware, organ, computer and other equipment (which may be specified separately on the insurance policy).

### Investment property, leases and licences

For information on matters relating to investment property, rented accommodation including leases and licences, and matters affecting property not held on the Model Trusts, please refer to the Legal Section of Trustees for Methodist Church Purposes.