

BUC GUIDELINES

F07 Charity Accounts with Income Over £250,000 (04/2012)

The Baptist Union of Great Britain has prepared this explanatory document to provide guidance to Baptist church treasurers about the requirements of the Accounting Regulations made under the Charities Act 2011 as they relate to churches.

This document concentrates on the requirements for churches with a gross income of over £250,000 per annum, and incorporates the requirements of the SORP 2005. Leaflet F06 covers the requirements for churches with gross income below £250,000.

In the draft notes to the accounts, items in italics are explanations that should be adapted (or omitted) according to the circumstances of the church.

The Minister(s) and Deacons are the Charity Trustees of the Church (see Guidelines leaflet C6). In this document, the word Deacons is used throughout to mean Minister(s) and Deacons as Trustees of the Charity.

1 The £250,000 threshold is significant

Where churches have a gross income of under £250,000 per annum, they are able to prepare simplified accounts on a receipts and payments basis. This is dealt with in a separate leaflet. Where the gross income exceeds £250,000, or where the church voluntarily chooses not to take advantage of the simplified basis of accounts, they are required to produce accruals accounts in a prescribed format set out in the Statement of Recommended Practice (SORP 2005), in order to comply with the Charities Act. The church must follow one of the two formats in its entirety and cannot create a hybrid of the two methods.

2 The definition of the £250,000 threshold

Gross income means income from all sources (and on all accounts which come under the supervision of the Deacons) arising in the ordinary course of a church's activities including, for example, offerings, donations, legacies, rents, investment income, income tax refunds, fund-raising activities etc. If a church carries on a regular trade (as opposed to occasional fund-raising events) then the gross takings from that trade will also form part of the total gross income.

Gains arising from the disposal of assets of any description do not count as income for the purpose of determining whether a church's gross income is above or below the relevant threshold. Likewise, money and other assets received on trusts which require the capital to be retained, either in the form of assets for use by the church or in the form of investments producing an income, will not be treated as income for this purpose, although if the income may be used generally while the capital is retained, then the income arising from the investments will count to the threshold. Loans to the church are also disregarded. Funds raised for a new church building or a manse, including donations and proceeds from special efforts as well as funds raised subsequently to repay any loans, will therefore be treated as capital receipts. On the other hand, repair appeals will rank as income.

3 The audit requirements

Accounts where gross income is between £100,000 and £500,000 may be examined by an independent examiner. Where the income is between £250,000 and £500,000, the independent examiner will need appropriate professional qualifications, either as an Auditor, or a Fellow of the Association of Charity Independent Examiners. Where the gross income exceeds £500,000, or where gross income exceeds £250,000 and the Balance Sheet assets exceed £3.26 million, a full professional audit for that year is required by a 'registered auditor', which is an auditor who is authorised to audit the accounts of limited companies. A church may choose to have a full professional audit even where it is not required by law.

An independent examiner of accounts must be independent of the Deacons but where the income is below £250,000 does not have to be professionally qualified. In the opinion of the Deacons, the examiner must have the requisite ability and practical experience to carry out a competent examination of the accounts. Since the accounts prepared under the SORP regulations are more complicated than the accounts prepared under the simplified basis, this test of qualification is rather more onerous.

For an examiner to be 'independent' the individual should have no connection with the Deacons which might be thought to inhibit the impartial conduct of the examination. A person is treated as 'connected' if he or she is a Deacon, or is a close relative or a business partner or employee of a Deacon, or makes very large donations to the church. However, subject to these provisos, a church member may serve as an independent examiner provided he or she has the requisite ability and practical experience and has not served as a deacon during, or since, the accounting period under review. A church may choose to appoint more than one examiner.

If a church's own rules specify particular audit requirements then these must be observed. However, a requirement that the accounts are to be 'duly audited' by one (or two) persons appointed by the Deacons and/or Church meeting will be satisfied by the appointment of one (or two) independent examiners acting in accordance with the provisions set out in these notes. If in doubt please consult the Finance Office at the Baptist Union who will be pleased to advise.

4 Distinguishing between different charitable funds

- 4.1 Unrestricted or General Funds. All churches will receive income which has no specific instructions from the donor about how it can be used. This is known for accounting purposes as Unrestricted or General income.
- 4.2 Designated Funds. Churches may from time to time choose to allocate parts of its general fund money into funds for specific purposes. These are known as 'designated' funds. They must also be accounted for separately, but have the advantage that the trustees can at any time reverse their decision to designate, and return some or all of the balances to general funds.
- 4.3 Restricted Funds. Churches may however receive other donations where either the terms of the appeal limit the use of the money, ('please give to our building fund'), or the donor restricts the use of the funds, ('please pass on this donation to Home Mission'). These funds are restricted funds, and the Trustees have to carry out the wishes of the donor. They do not have any discretion to apply the donations to the general purposes of the church. These funds must be accounted for separately.
- 4.4 Endowment Funds. There is another category of funds which is sometimes called permanent endowment or capital funds. This is where the fund is committed to capital projects irrevocably, so that even if the building is sold the proceeds can only be used for other buildings in the future. These funds must also be accounted for separately. It is donations to a fund of this sort which do not count towards the threshold of £250,000 identified in paragraph 1.
- 4.5 Implications of the terms of an appeal for funds. The Trustees may face a dilemma in framing appeals for specific purposes. In order to avoid the donations to a building fund forming part of the threshold for auditing, they will want to appeal in a form which makes the money available only for

the specific restricted purpose. However, it would normally be prudent for the Trustees to ask for funds which will probably be used for buildings but with the proviso that they can be used for other purposes with the agreement of the church meeting. This is because if the fund raises a large sum, but is still not sufficient for the building project to proceed, it is difficult and time-consuming (involving consultation with the Charity Commission) to release the Funds for any purpose. Similarly sums over subscribed for a restricted purpose cannot easily be used for something else. This degree of openness as to the purpose means that the money does fall within the definition of income for the purpose of the audit threshold.

5 The three parts of SORP accounts

The SORP accounts fall into three parts. These are the Statement of Financial Activities ('SOFA'), the Balance Sheet, and the Notes to the Accounts. Larger charities are required to prepare a cashflow statement, but since there is an exemption up to an income of £1.4 million, this is ignored in this document.

- 5.1 SOFA. This accounting concept has been devised to recognise that a charity is not a profit making venture, and that to measure its effectiveness on the basis of profit or loss is probably meaningless. It is designed to show in a single statement all the charity's incoming resources, both of income and of capital, all its expenditure and all other movements in its funds.

The SOFA must show the following for the year in question and for the previous year:

- the total incoming resources of all the charity's funds
- how the charity's resources have been spent
- any other movements in the value of the individual funds of the charity - including transfers between funds, gains and losses on the sale of investment assets and revaluation gains and losses
- the fund balances brought forward from last year, and
- the fund balances carried forward to next year, as shown on the Balance Sheet

The figures for the year in question must also be broken down as follows:

- unrestricted income funds
- designated funds
- restricted income funds
- endowment or capital funds

This breakdown must be done in a columnar form as set out in the example. Not all churches will have income in each of these categories, and where there is none in the year in question, the columns can be omitted.

The expenditure is required to be disclosed in three categories, one of which has several sub-divisions:

- costs of generating funds

Most churches will have little if any costs of generating funds. Most charities need to include in this category the costs of printing postage and staff in respect of appeals for donations and legacies, together with the costs of investment management, but most churches will not have that expenditure. A special brochure for a building appeal would need to be included in this item. Where there is no expenditure the SOFA should indicate no expenditure, but the sub-division of expenditure categories, and note 6 can be omitted.

- charitable expenditure

The expenditure incurred by the charity in meeting its charitable objectives, can be set out in classifications which reflect the means by which the church has carried out its charitable objectives. If and when churches are required to prepare an annual report in the prescribed format, the narrative explanation of how the charity has fulfilled its objectives will also need to reflect this analysis. This means Churches can continue to use the headings of Ministry, Mission, and Establishment set out in the advice for churches below £250,000, but will need to treat the Administrative costs as Support costs (see below). Where the church has one or more significant items of expenditure that would more logically be shown separately, then that can and should be done.

The items previously included in Administration will include the incidental administrative costs of carrying out the church's activities. These are not in themselves fulfilling the church's charitable objectives, but enable other work to be done which does fulfil those purposes. These costs are designated as support costs, and should be allocated across the remaining charitable costs on a logical and consistent basis. The simplest method is to divide the support costs according to the percentage of charitable expenditure in the other categories, and this is acceptable where the amounts are relatively small. However, if the Mission heading includes substantial grants whose administration costs are very small in relation to their size, and much of the administration costs relate to the support of the Minister, then it may be appropriate to allocate more to Ministry and less to Mission. This allocation is shown in Note 10 and affects the figures in Note 7.

Donations to other charities, such as Home Mission and BMS World Mission, and other donations to charities, if any, should now be included in the Mission heading since Grants are no longer required to be shown separately on the face of the SOFA. They will however need to be analysed in Notes 10 and 11.

Depreciation is charged in the section relating to the asset. Running the church buildings with the equipment included there is part of the charitable objective of the church and therefore depreciation is charged to the Establishment section of the expenditure. If part of the depreciation is on office equipment used to manage the charity, that part will be included in support costs.

- governance costs

There will also need to be a heading of Governance Costs. This will include such items as audit and independent examination costs, the costs of holding deacon's (trustees) meetings, costs incurred dealing with constitutional and statutory requirements, and costs of any legal advice obtained. Most churches will have little or no cost under this heading. Where there is no expenditure the SOFA should indicate no expenditure, but note 8 can be omitted.

5.2 Balance Sheet

The Balance Sheet should show all the assets and liabilities in specified categories, and the funds of the charity divided between capital, restricted, designated and unrestricted. The asset and liability headings are set out in the example. Where there are no amounts to be shown in any category for both the year in question and the previous year, then the categories can be omitted.

5.3 Notes to the Accounts

The notes to the accounts will explain the policies used in the preparation of the accounts and explain the details of many of the items included in both the SOFA and the Balance Sheet. The intention of the regulations is to ensure that the reader of the accounts can gain a clear view of the charity's income and expenditure and of its assets and liabilities. Many of the items within the notes are compulsory.

The notes must show: -

- the basis of the preparation of the accounts.
Unless the church is a limited company, then this will state that the accounts are prepared in accordance with the Charities Act and the Charity SORP 2005.
- the fact of, and reason for, any material departure from the SORP regulations
- the policy for including each type of material incoming resource
- the policy for recognising liabilities, and for the allocation of expenditure between the specified categories
- a brief description of the objectives of each of the funds of the church
- details of Trustee remuneration and expenses
- details of staff costs, including any pension schemes to which contributions are made
- details of audit or independent examination costs
- details of material grants
- major items in costs of generating funds
- major items in the governance of the charity
- details of the assets and liabilities representing each fund
- details of any loans outstanding
- such other details that are required to help the reader to understand the financial affairs of the charity

Examples of these notes are set out in the suggested accounts layout. Unless there is a specific provision in the regulations that an item must be reported even if it is a nil report, the notes can be omitted where they are irrelevant to the particular charity. Care must be taken with the numbering of the notes and their cross referencing to the SOFA and the Balance Sheet.

6 Fixed Assets and Depreciation

Accounting standards require charities to include all their Fixed Assets in their balance sheet, and to depreciate their fixed assets excluding freehold land. This is straightforward in the case of furniture fittings and equipment, but more difficult in the case of land and buildings. The standard rule is that Land and Buildings should be included in the balance sheet at their original cost price, or at a subsequent valuation. In practice, most churches will not have records of the original cost of the church premises, and they may not have records of the cost of the Manse. In these circumstances, they can be included at a reasonable valuation, with a statement in the notes of the basis of the valuation. It is not necessary to pay for a formal valuation of the premises, since this will not produce much value to the church, and would then need to be repeated not less than every five years, whereas without any revaluation the original figures can be used indefinitely. A valuation based on the insurance value is normally acceptable, except where the resale value of the premises is clearly different from the insurance value, either because the value of the land is very high in proportion to the buildings, or because there are such restrictions on the use of the site or buildings that it would be very difficult to sell.

The category of 'historic or inalienable assets' has been removed and replaced by 'heritage assets'. This is a problem to us because many of our church buildings remain historic or inalienable, without qualifying as

heritage assets as defined. Heritage assets must be held in pursuit of preservation or conservation objectives, and churches' charitable objectives are much more faith based than building based, even where the building is listed. This means that in most cases churches will need to include their buildings on their Balance Sheet at cost (where known) or an appropriate valuation, in accordance with the paragraph above.

No depreciation need be charged on the portion of Land and Buildings which relates to Land. The portion relating to buildings should be depreciated over fifty years, unless the buildings are leasehold with less than fifty years remaining on the lease, in which case they should be depreciated over the remainder of the lease. However, there is an exception under para 259 b ii for the non depreciation of assets where the residual value is not materially different from the value of the asset stated in the accounts. Most Manses might fall into this category. There needs to be some form of evidence that the value is not less, but it would not be necessary to carry out the detailed formal impairment review required by the Accounting Standard, since every church will be below the size thresholds required to trigger such a review.

7 Access to the accounts

The Charities Act requires that the accounts are approved, signed and dated by the Deacons. All of them carry responsibility for the accounts, even if they were not present at the meeting at which approval was given.

Baptist Church practice is that the accounts will be received and approved by the Church Meeting.

The Charities Act stipulates that the accounts of a Charity are public documents, and even though there is not at present a requirement for the accounts to be filed with the Charity Commissioners unless income exceeds £100,000, they must be made available to anyone who requests them for no greater charge than the incidental cost of photocopying and or postage.

8 Other matters

The SORP includes requirements for the Trustees to prepare a Reserves policy for the charity, and a Risk Assessment for the charity. Charities are obliged to make reference to these policies in their annual report. While Baptist Churches remain 'excepted' charities they are not obliged to prepare formal annual reports in accordance with the regulations, and therefore do not need to make reference to these policies. When churches are registered with the Charity Commission, they will need to prepare the annual report and have these policies in place. In the meantime it would be prudent to consider such policies.

ANYTOWN BAPTIST CHURCH LEGAL INFORMATION

The Church is an excepted charity under Section 30 (2) (b) of the charities Act 2011, and has taken advantage of the power not to produce an Annual Report in accordance with Section 168 (2) of the Charities Act 2011..

or

The church is a registered charity number _____.

CHURCH ADDRESS

TRUSTEES

(Names of Minister and Deacons together with dates where appointment or resignation took place between the first day of the accounting period and the date of the signing of the accounts by the Trustees)

BANKERS

SOLICITORS

INDEPENDENT EXAMINER

The three above items are not legal requirements but are considered good practice.

ANYTOWN BAPTIST CHURCH

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Unrestricted £	Designated £	Restricted £	Endowment £	Total 2011 £	Total 2010 £
Incoming resources							
Voluntary income	2						
Investment income	3						
Incoming resources from Charitable activities	4						
Other incoming resources	5						
Total incoming resources							
Resources expended							
Costs of Generating Funds	6						
Cost of generating voluntary income							
Fundraising trading: cost of goods sold							
Investment management costs							
Charitable activities	7						
Governance costs	8						
Other resources expended	9						
Total resources expended	10						
Net incoming resources before transfers							
Gross transfers between funds	13						
Net incoming resources before Revaluations and investment asset disposal							
Gains and losses on revaluations of fixed assets for the charity's own use	14						
Gains and losses on revaluations and disposals of investment Assets	15						
Net movement in Funds							
Total Funds brought forward							
Total Funds carried forward							

ANYTOWN BAPTIST CHURCH

**BALANCE SHEET
31 DECEMBER 2011**

	Notes	£	2011	£	£	2010	£
Tangible Fixed Assets	17						
Investments	18			_____		_____	
Current Assets							
Stocks	19						
Debtors	20						
Investments	21						
Bank and Cash	22			_____		_____	
				=====		=====	
Current Liabilities							
Creditors: amounts falling due within one year	23			_____		_____	
Net Current Assets							
Creditors: amounts falling due after more than one year	24						
Net Assets							
Charitable Funds							
Endowment	25						
Restricted	26						
Designated	27						
Unrestricted				_____		_____	
				=====		=====	

The notes on pages form an integral part of these accounts

These accounts were approved by the Trustees on
And signed on their behalf by

A Treasurer

B Deacon

ANYTOWN BAPTIST CHURCH

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

a Basis of preparation

The accounts are prepared in accordance with the Accounting Regulations set out under the Charities Act 2011, and with the Charities Statement of Recommended Practice 2005.

b Donations

Donations are accounted for gross when received.

c Legacies

Legacies are accounted for when their receipt is certain and can be properly quantified.

d Investment Income

Investment income is included in the accounts in the year in which it is receivable.

e Fund raising and publicity costs

The Church does not make formal appeals for funds, and expenditure on these items is therefore not material.

f Grants payable

The Church makes grants to other organisations whose charitable objects complement its work. They are accounted for in the year in which they are paid.

g Governance costs

This represents direct expenditure on the governance of the church. Most of the management is carried out without charge by volunteers. This intangible cost is not included in the Statement of Financial Activities since there is no measurable cost to the volunteers for their service.

h Fixed Assets

The church premises are included in the balance sheet at insurance value because reliable cost information is not available, and valuation would incur significant costs which would be onerous compared with the additional benefit gained by the user of the accounts.

The Manse premises are stated at cost.

Furniture and equipment in the church premises is included at cost or net realisable value.

i Depreciation

Depreciation has not been charged on the Church or Manse premises, because in the opinion of the Trustees, the residual value of the asset is not less than the original cost price.

Depreciation on other fixed assets is calculated to write off the cost on a straight-line basis over their expected useful life, at the following rates:

Furniture and fittings	10%
Computers and equipment	33%

Or such rates as the church decides.

j Investment Assets

Quoted investments are stated at market value. All other investment assets are shown at cost.

2 Voluntary Income

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Offerings						
Tax Refunds						
Grants received						
Legacies						
<hr/>						
Total (to agree with SOFA)						

Include in this note any material sources of income of a voluntary nature. The Grants received might be from Home Mission or a Local Authority, and the donor should be identified.

3 Investment Income

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Bank interest						
Building Society interest						
Rent received						
Income from other investments						
<hr/>						
Total (to agree with SOFA)						

4 Incoming resources from charitable activities

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Trading income						
Fund-raising events						
<hr/>						
Total (to agree with SOFA)						

Include in this note material sources of income from special events held either to further the objects of the charity or specifically to raise funds.

5 Other incoming resources

	Unrestricted	Designated	Restricted	Endowment	2011	2010
<hr/>						
Total (to agree with SOFA)						

Include in this note any other income not identified above such as Gains on disposals of fixed assets used by the charity. Many churches will not have anything under this heading.

6 Costs of Generating Funds

	Unrestricted	Designated	Restricted	Endowment	2011	2010
<hr/>						
Total (to agree with SOFA)						

Most churches will have nothing under this heading. There may however be costs relating to a specific appeal for funds, perhaps for a building appeal, or costs relating to specific fund-raising events whose income is shown in note 4. Where this is so, the headings should reflect those aggregated, but check the tax position on trading. The sub headings can be omitted if nil in each year being reported.

7 Charitable Activities

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Ministry						
Mission						
Establishment						

Total (to agree with SOFA)

Most of the church's expenditure will be shown under these headings. See Section 5 of the narrative of this leaflet.

8 Governance Costs

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Independent Examinations costs						
Legal costs						
Meeting costs						
Other costs						

Total (to agree with SOFA)

This is not all the administrative costs of the church, but only those costs of managing the charity in its technical and legal sense. It will therefore include audit or independent examination costs and any legal costs incurred by the Trustees, since these are costs of complying with charity legislation not carrying out the objects of the charity. A small portion of administrative wages may properly be included here if the duties involve any responsibility for deacons' meetings, (eg attendance and minutes).

9 Other Resources Expended

	Unrestricted	Designated	Restricted	Endowment	2011	2010

Total (to agree with SOFA)

This is a space for anything which has not been allocated to the other expenditure headings. Churches are unlikely to have any costs to show here.

10 Total Resources Expended

	Charitable activities	Grant funding	Support costs	Total 2011	Total 2010
Ministry					
Mission					
Establishment					
Cost of Generating Funds					
Governance costs					

Total (to agree with SOFA)

This note reanalyses all of the costs in the previous notes between direct charitable costs, grants and support costs. The grant funding will agree with note 11 and support costs will agree with note 12.

11 Grants payable

	Unrestricted	Designated	Restricted	Endowment	Total 2011	Total 2010
BUGB Home Mission						
BMS World Mission						
Etc						
Balance						
<hr/>						
Total (to agree with note 10)						

Show here material grants made to other charities to provide the reader with a reasonable understanding of the nature of the activities or projects that are being funded. Most grants will be allocated to the Mission heading in notes 7 and 10 above. A balancing figure is required to agree the totals to note 10.

12 Support Costs

	Unrestricted	Designated	Restricted	Endowment	2011	2010
Administrative Staff						
Other administrative costs						
<hr/>						
Total (to agree with note 10)						

This is an item in the SORP regulations which will normally be very small in church contexts, as much support will be provided free by volunteers. Administrative costs, including paid administrative staff, which are not governance costs, should be included as support costs, and allocated across the other headings in note 7 on a logical and consistent basis. See the narrative note of this leaflet.

13 Gross Transfers between funds

Where income held on a restricted or designated basis can properly be set against expenditure included in the unrestricted expenditure, transfers can be effected in this line. The deduction from one fund is matched by an addition to the other, so the total will always be nil. It is not normal to show a note against this item, since explanations can be given under the funds analysis below.

14 Gains and losses on revaluations of fixed assets for the charity's own use

When the church disposes of fixed assets, the difference between the net sale proceeds and the depreciated cost will be shown as a gain on disposal in section 5 of these notes. This heading will only be used for gains on revaluations which will be extremely rare.

15 Gains and losses on revaluations and disposals of investment assets

Where a church holds stock exchange investments or buildings used for income purposes rather than the furtherance of the church's objectives, gains and losses will be shown here. These assets should be shown at market value on each balance sheet date, and so there will be a gain or loss each year.

16 Staff costs and Trustees expenses

2011 2010

Salaries	Gross salary	
Social security costs	Employers national insurance	
Pension costs	Employers pension contributions	
Other costs	Council tax, water, telephone (<i>not motor</i>)	

Total

The average number of employees during the year was

No employee received emoluments in excess of £60,000 during the year (2010 none)

One Trustee, who is also an employee, lived in housing wholly or partly owned by the church.

No sums were reimbursed to the Trustees for their work as Trustees (2010 none).

The Church pays pension contributions for its Minister to the Baptist Ministers Pension Trust Limited, which is a final salary defined benefit scheme, which is not contracted out of the State second pension. The scheme is a multi-employer scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the church. In accordance with FRS17 therefore, the scheme is accounted for as a defined contribution scheme.

The statement of average number of employees and that none earned in excess of £60,000 need to be made to comply with the regulations. If an employee did earn more than £60,000 then further details need to be given. The total reimbursed to Trustees for their work as Trustee needs to be stated: this might be travelling expenses, but in practice are likely to be none.

Note that under charity law Trustees cannot be paid for their services, without the permission of the Charity Commission, with the exception of the Minister(s) for whom special arrangements are made or deemed to exist.

17 Tangible Fixed Assets

	Church Premises	Manses	Furniture and fittings	Computers and equipment	Total
Cost					
1 January 2011					
Additions					
Disposals					
31st December 2011					
Depreciation					
1st January 2011					
Charge for the year					
On disposals					
31st December 2011					
Net Book Value					
31st December 2011					
31st December 2010					

All of the fixed assets are used for direct charitable purposes.

18 Investments

This note refers to properties and stock exchange and other securities deliberately held on a long term basis, not simply the prudent investment of short term surplus funds.

	2011	2010
1st January 2011		
Additions		
Disposals		
Gains and losses on investments		
31 December 2011		

19 Stocks

Most churches will not have material stocks of goods. There may however be material stocks within a church bookstall, or in a coffee shop or lunch club.

20 Debtors

	2011	2010
Accrued income		
Prepayments and other debtors		

Most churches will have few debtors. The main one will be the Inland Revenue for Gift Aid refunds. Debtors should not be included until they are certain to be received and can be fully quantified, but under Gift Aid that is easier than under Covenants. Tax due on all offerings to the Balance Sheet date should properly be included in the income in the SOFA and where not yet received, here in debtors.

21 Investments

These represent short-term investment in non cash investments. They should show the details required in note 18.

22 Bank and cash balances

	2011	2010
The total amounts held with each bank should be shown separately e.g.		
Anytown Bank plc		
COIF		
Baptist Union Corporation		
Anytown Building Society		

23 Creditors: amounts falling due within one year

	2011	2010
Loans and overdrafts		
Other creditors		
Accruals		

Where there is an overdraft, the whole of it should be shown as an amount due within one year. Where there are loans with set repayments over a number of years, the next year's repayments should be shown here with the balance in the note below. Where loans from church members have no defined date for repayment, they should be shown as due within one year.

24 Creditors: amounts falling due after more than one year

	2011	2010
Loans		
Baptist Union Loan Fund		
Baptist Strategy Building Scheme		
Bank		

Note that the first year's repayment should be in note 22 above, with the balances due after the next year included here. It is not a requirement, but probably helpful, to indicate here the date by which the loan should be repaid.

25 Endowment Funds

	1.1.2011	Incoming Resources	Resources expended	Gains and losses	Transfers	31.12.2011
Name of Fund						
Building Reserve						
The xyz charitable fund						
Totals						

Each endowment fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Endowment column of the SOFA. The total of the funds at the balance sheet date should equal the endowment fund total on the balance sheet.

A brief narrative should be given of the purpose of each Fund, e.g.

The Building Reserve Fund represents the funds originally applied to the building of the church

	Fixed Asset	Investment	Current Asset	Total
Building Reserve				
The xyz charitable fund				
Totals				

Each endowment fund should also be analysed to show where the assets making up the fund are represented in the balance sheet.

26 Restricted Funds

	1.1.2011	Incoming Resources	Resources Expended	Gains and losses	Transfers	31.12.2011
Name of Fund						
Manse Fund						
Organ Fund						
Totals						

Each restricted fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Restricted column of the SOFA. The total of the funds at the balance sheet date should equal the restricted fund total on the balance sheet.

A brief narrative should be given of the purpose of each Fund, e.g.

The Manse Fund is for the purchase of a Manse for a second Minister.

	Fixed Asset	Investment	Current Asset	Total
Manse Fund				
Organ Fund				
Totals				

Each restricted fund should also be analysed to show where the assets making up the fund are represented in the balance sheet.

27 Designated Funds

	1.1.2011	Incoming Resources	Resources expended	Gains and losses	Transfers	31.12.2011
Name of Fund						
Projector Fund						
Flower Fund						
Repairs Fund						
Totals						

Each designated fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Designated column of the SOFA. The total of the funds at the balance sheet date should equal the designated fund total on the balance sheet.

A brief narrative should be given of the purpose of each Fund, e.g

The repairs fund represents sums set aside for long term maintenance of the church buildings.

	Fixed Asset	Investment	Current Asset	Total
Projector Fund				
Flower Fund				
Repairs Fund				
Totals				

Each designated fund should also be analysed to show where the assets making up the fund are represented in the balance sheet.

28 Analysis of net assets

	Fixed Asset	Investment	Current Asset	Total
Endowment Funds	per note 24			
Restricted Funds	per note 25			
Designated Funds	per note 26			
Unrestricted Funds				
<hr/>				
Totals				
<i>(to agree with the Balance Sheet)</i>				
<hr/>				

29 Pensions

The Church is an employer participating in a pension scheme known as the Baptist Pension Scheme ("the Scheme"), which was known as the Baptist Ministers' Pension Fund until 31 December 2011 ("the Ministers' Fund"). The Scheme is a separate legal entity which is administered by the Pension Trustee (Baptist Pension Trust Limited).

The Minister(s) is / are eligible to join the Scheme, which is not contracted out of the State Second Pension. [In addition, from 1 January 2012 [some] members of the church staff are also eligible to join the Scheme.]

The main benefits provided by the Ministers' Fund for service prior to 1 January 2012 are a defined benefit pension of one eightieth of Final Minimum Pensionable Income for each year of Pensionable Service, together with additional pension in respect of premiums paid on Pensionable Income in excess of Minimum Pensionable Income. From 1 January 2009 Ministers paid 8% of their Pensionable Income and the employer paid 16%. The Fund started in 1925, but was closed to future accrual of defined benefits on 31 December 2011.

From January 2012, pension provision is being made through the Defined Contribution (DC) Plan within the Scheme. Members pay 8% of their Pensionable Income and employers pay 6% of members' Pensionable Income into individual pension accounts which are operated and managed on behalf of the Pension Trustee by Legal and General Life Assurance Society Limited. In addition, the employer pays a further 4% of Pensionable Income to cover Death in Service Benefits, the administration of the DC Plan, and an associated insurance policy which provides income protection for Scheme members in the event that they are unable to work due to long-term incapacity. This income protection policy has been insured by the Baptist Union of Great Britain with Unum Limited.

A formal valuation of the Ministers' Fund was performed at 31 December 2010 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Fund's assets at the valuation date was £129,866,000.

The valuation of the Ministers' Fund revealed a deficit of assets compared with the value of liabilities of £69,700,000 (equivalent to a past service funding level of 65%). As a result of the valuation, in addition to the contributions to the DC Plan set out above, deficiency contributions from employers to the Ministers' Fund (now the DB Plan within the Scheme) were set at 8.4% of Pensionable Income for 2012 and 11% of Pensionable Income for 2013 onwards. The Recovery Plan envisages deficiency contributions being required for 24 years.

The financial assumptions underlying the valuations were as follows:

Discount rate pre retirement	5.70%
Discount rate post retirement	4.55%
Rate of price inflation	3.70%
Rate of revaluation on deferred pensions accrued to 5 April 2009	3.70%
Rate of revaluation on deferred pensions accrued after 5 April 2009	2.50%
Rate of pension increases on benefits accrued to 5 April 2006	3.50%
Rate of pension increases on benefits accrued after 5 April 2006	2.30%

As there is a large number of contributing employers participating in the Scheme, the Church is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, due to the nature of the schemes, the profit and loss charge for the period represents the employer contributions payable. The total pension cost for the Church is £xxxx (2010 £yyyy).

(Consequent upon the departure of the Minister from the church in (year), the church had a cessation event under Section 75 of the Pensions Act 1995. This makes the church liable for the proportion of the overall deficit (assessed by reference to the cost of securing benefits by the purchase of annuities) applicable to its previous Ministers who were members of the Fund. It is not possible to quantify this debt without an actuarial calculation. In order, to avoid the cost of such a calculation and because the church may not be able to continue its charitable activities following payment of the employer debt which arises upon a cessation event, the Pension Fund Trustee (after consulting the Pensions Regulator) is not currently pursuing the employer debt, but is instead permitting the church to pay the ongoing deficiency contributions outlined above. However, the Pension Trustee has the right to quantify and seek payment of the debt at any time at its discretion.)

The next actuarial valuation of the DB Plan within the Scheme is due to take place not later than as at 31 December 2013.

Where the church does not have a Minister who is a member of the Baptist Pension Scheme, the whole of the above note can be omitted.

This note will be updated after each Triennial valuation of the Fund

Where instead contributions are paid to a defined contribution scheme, the note should state: -

- a) Pension contributions are paid to a defined contribution pension scheme on behalf of the minister.*
 - b) The total pension cost for the Church was £xxxx (2010 £xxxx).*
 - c) No contributions were outstanding at the Balance Sheet date.*
- or*
- Contributions of £xxx were outstanding at the Balance Sheet date.*

30 Related Charities

The custodian Trustee of the church is the Baptist Union Corporation Limited which is charity number 249635, and which is controlled by the Baptist Union Council. The church is also a member of the Baptist Union of Great Britain, and the (state) Baptist Association.

The church is in receipt of a loan from the Baptist Union Corporation as set out in note 23.
The church received a grant from the Baptist Union Home Mission Scheme as set out in note 2.
The church made a donation to the Baptist Union Home Mission Scheme as set out in note 7.

or

There were no transactions between the church and its related charities during the year.

The relevant details need to be given. The church may be in trust with one of the other Baptist Trust Corporations and not the Baptist Union Corporation or may have private trustees

Independent examiner's report on the accounts

Section A

Independent Examiner's Report

**Report to the trustees/
members of**

Charity Name

**On accounts for the year
ended**

**Charity no
(if any)**

Set out on pages

(remember to include the page numbers of additional sheets)

**Respective
responsibilities of
trustees and examiner**

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year under section 144 of the Charities Act 2011 (the Charities Act) and that an independent examination is needed.

It is my responsibility to:

- examine the accounts under section 145 of the Charities Act,
- to follow the procedures laid down in the general Directions given by the Charity Commission (under section 145(5)(b) of the Charities Act, and
- to state whether particular matters have come to my attention.

**Basis of independent
examiner's statement**

My examination was carried out in accordance with general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair' view and the report is limited to those matters set out in the statement below.

**Independent examiner's
statement**

In connection with my examination, no matter has come to my attention (other than that disclosed below *)

1. which gives me reasonable cause to believe that in, any material respect, the requirements:
 - to keep accounting records in accordance with section 130 of the Charities Act;
 - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the Charities Act have not been met; or
2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

* Please delete the words in the brackets if they do not apply.

Signed:

Date:

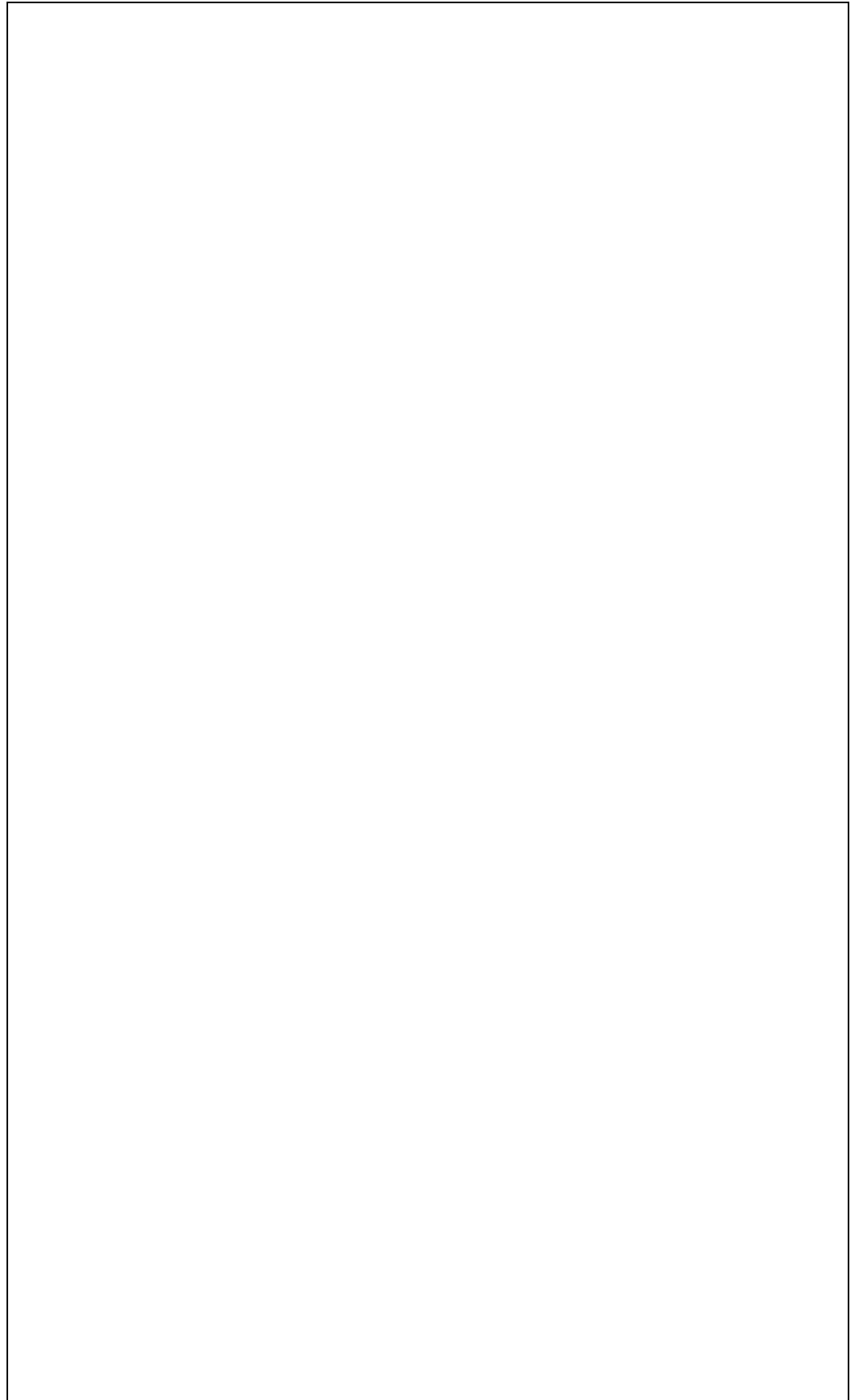
Name:

**Relevant professional
qualification(s) or body (if
any):**

Address:

Only complete if the examiner needs to highlight material problems.

Give here brief details of any items that the examiner wishes to disclose.



This is one of a series of *Guidelines* that are offered as a resource for Baptist ministers and churches. They have been prepared by the Baptist Union of Great Britain and are, of necessity, intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter.

The staff at the Baptist Union of Great Britain at Baptist House will be very pleased to answer your queries and help in any way possible. It helps us to respond as efficiently as possible to the many churches in trust with us if you write to us and set out your enquiry as simply as possible.

Contact Address:

Baptist Union of Great Britain, Baptist House, PO Box 44, 129 Broadway, Didcot, Oxfordshire OX11 8RT England
Telephone **01235 517700** facsimile **01235 517715** email **info@baptist.org.uk** website **www.baptist.org.uk**