



Leaflet F02: Guidelines on Church Accounts with Income under £250,000

This explanatory document aims 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 less than £250,000 per annum.

F02: Guidelines on Charity Accounts with Income under £250,000

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. The document concentrates on the requirements for churches with a gross income of less than £250,000 per annum. Churches with income in excess of £250,000 will need to prepare more sophisticated accounts, which are set out in our [leaflet F03](#). These churches may need to obtain professional advice on their particular circumstances.

Further assistance on matters of concern which arise from these regulations can be obtained from the Finance Office of the Baptist Union of Great Britain.

Treasurers may also make use of the guidance available from the Association of Church Accountants and Treasurers (ACAT). Membership of ACAT is funded by Baptists Together for all treasurers of member churches. You may access their website member area if you are member of the Union – please contact us for login details if you do not have them.

1 Do we have to prepare an annual report or file an annual return?

Charity law requires charities trustees to ensure that accounting records for the charity are kept, annual accounts are prepared for their charity and those accounts are available to the public on request. The trustees of registered charities must also prepare a trustees' annual report. The report and accounts tell donors and others interested in the work of the charity what it has done in the year and how it raised and spent its money.

A Baptist church is 'excepted' from registration under the Charities Act if its income does not exceed £100,000 and either its custodian trustee is a recognised Baptist trust corporation or it is in membership with the Baptist Union of Great Britain. It does not therefore have to prepare an annual report or file an annual return with the Charity Commission, although the Charity Commissioners have power to request an annual report in exceptional circumstances. However, the constitution of most Baptist churches will have a requirement that an annual report and accounts are prepared and presented to the church meeting.

From 2008, churches with an income in excess of £100,000 are required to register with the Charity Commission, and need to file Annual Returns and prepare Annual Reports in the legal format from that time. Churches with income of less than £100,000 continue to be 'excepted' from registration until 31 March 2031. When this exception does expire, all churches with an income over £5,000 will be required to register and to produce an annual report.

2 What form must the accounts take:

Where churches have gross income of under £250,000 per annum and are not a company, they are able to prepare simplified accounts on a receipts and payments basis. The remainder of this leaflet outlines how churches may prepare accounts on this basis.

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 2019), in order to comply with the Charities Act. Details of this form of accounts are available in [Leaflet F03: Guidelines on Charity Accounts with Income Over £250,000](#). **The church must follow one of the two formats in its entirety and cannot create a hybrid of the two methods.**

A separate guideline [Leaflet F05: Annual Reports](#) covers the content required for churches who are registered charities to cover in an Annual Report. This guidance should also be viewed as best practice for churches who are not registered.

3 What is meant by 'gross income'?

Gross income means income from all sources (and on all accounts which come under the supervision of the trustees) 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) 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, endowments (which are 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. Loans to the church are also disregarded.

So, for the receipts and payments basis gross income is the total receipts recorded in the statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets; for accruals basis it is the total incoming resources excluding the receipt of any endowment but including any amount transferred to income funds from endowment funds.

4 Must the accounts be audited or independently examined?

The role of the independent examiner is to provide an independent scrutiny of the accounts. The examiner plays a part in maintaining public trust and confidence in charities. The requirements for Independent Examination apply to all charities, including Baptist churches excepted from Registration as described above.

If gross income does not exceed £25,000 pa it is not normally necessary, under the regulations, for accounts to be audited or independently examined.

If gross income exceeds £25,000 but does not exceed £1,000,000 then the accounts must be subjected to independent scrutiny and this will normally mean examination by an 'Independent Examiner'. Where the income exceeds £250,000, the Independent Examiner will need appropriate professional qualifications.

If gross income exceeds £1,000,000 pa or exceeds £250,000 and the church has balance sheet assets in excess of £3.26million, a full professional audit is required by a 'registered auditor' (i.e. one who is authorised to audit the accounts of limited companies).

If a church's own rules specify 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 Trustees 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 assist.

[Leaflet F04: Independent Examination of Church Accounts](#) provides more detail on this topic, including who may act as independent examiner and the appropriate process.

5 Must the accounts be filed with the Charity Commissioners?

Accounts have to be filed only if:

- a church is registered with the Charity Commission or
- if the Commissioners, in any particular case, so direct.

The Charities Act provides that all charities will need to register in due course, but currently only churches with over £100,000 gross income are currently required to register.

Whether the accounts are filed with the Charity Commission or not, they remain 'public documents', and are required by law to be made available to any person requesting them, for no greater cost than the cost of

photocopying and posting. This is the same requirement as for any UK charity.

6 What information has to be shown in the 'simplified' accounts?

A simplified receipts and payments set of accounts consists of an account summarising all money received and paid out by the charity in the year in question and a statement giving details of the assets and liabilities at the end of the year. A receipts and payments account is meant to be a factual record of money received and paid during the financial year whilst a statement of assets and liabilities is a list of significant possessions and outstanding financial obligations as at the end of that year. Because these simplified accounts differ from more detailed accounts (e.g. by not including 'accruals' and 'prepayments' and not recording depreciation or the revaluation of assets) it is important to make it clear that the accounts have been prepared on a 'receipts and payments basis'. The accounts should be prepared on a consistent basis from year to year and material items should be shown separately or by way of note.

7 Might it be necessary to have more than one receipts and payments account?

Churches, as charities, should apply the principles of Fund Accounting. There are three key types of Fund that a Baptist Church is likely to hold

- **Unrestricted Funds:** All churches will have a General Fund which is available for the general purposes of the church and this fund is known as an 'unrestricted' fund as there are no restrictions on the use of the assets of the fund.
- **Designated Funds** A church may also decide to set up separate funds for particular purposes, e.g. a fabric fund or an outreach fund, and transfer resources from the general fund. Such funds are known as 'designated' funds but, unless they are subject to specific restrictions as to their use, they will retain the character of unrestricted funds since a church would be at liberty to apply them for its general purposes if it so determined.
- **Restricted Funds** Some churches may have funds which legally cannot be used for general purposes, either because of a restriction imposed by a trust deed or by those who gave the funds. A fund set up for the building of a new church (or extension) or a manse would be an example of a 'restricted' fund of a capital nature.
- There is a fourth fund which churches might hear about - **Endowment Funds**. There are two main types of endowment fund - Permanent and Expendable (sometimes referred to as Term or True Endowments): a. *Permanent Endowment* (or capital funds) is where the fund is given to the charity to be held as capital (frequently linked to a building). The Trustees have no discretionary power to use the capital of Permanent Endowment funds as income. However, any income from the capital (e.g. interest on deposits, dividends on investments or rental income on a building) can be spent on either general or restricted purposes, depending on the donor's intentions expressed at the time of the gift. Even if a building held as a permanent endowment is sold the proceeds can usually only be used for other buildings in the future. These funds must also be accounted for separately and donations to a fund of this sort do not count towards the threshold of £250,000 identified in section 1 above. b. *Expendable Endowment* are funds given to the church to be held as capital but with the Trustees having the discretionary power to convert the capital to income.

Separate receipts and payments accounts should be prepared for the general fund and each restricted, designated fund or endowment fund.

Income from assets held as part of a restricted fund or endowment fund will generally be subject to the same restriction and must be accounted for as part of that fund, except where the donor has expressly provided for some other use for the income or where the asset is part of a capital fund held for the general purposes of the church, in which case the income can be used for general purposes. Where a property is sold, advice should be sought from the Property Trustees as to the purposes to which the proceeds can be applied.

7 How should the accounts be presented?

The following pages set out a template for simplified Receipts and Payments accounts that may be used by Baptist Churches. You may use this format or create your own. A Microsoft Word version of the [template](#) is available in the resources section of our website. Treasurers should adapt the names of funds and categories of income and expenditure to best satisfy their needs.

As discussed in section 2 above, it would be best practice to produce an Annual Report, incorporating a written report of the trustees with the annual accounts, which can then be presented to Church Meeting on an annual basis as required by many church constitutions.

Please note throughout this document, reference is made to 20xx and 20yy, representing your current year and previous year. In the final copy of your document this will need to be replaced by the numeric values of the Years that are applicable e.g. 2022 and 2021.

ANYTOWN BAPTIST CHURCH

FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 20xx

GENERAL RECEIPTS & PAYMENT ACCOUNT

	Note	20xx	20yy
Receipts			
Weekly offerings			
Donations and other income	2		
Income tax recovered on gifts			
Investment income	3		
Rents and contributions for use of premises			
Raised for other causes	4		
Home Mission grant			
Total Receipts		<hr/>	<hr/>
Payments			
Ministry	5		
Mission	6		
Upkeep of church premises	7		
Administration	8		
Amounts passed on to other causes			
Total Payments		<hr/>	<hr/>
Net receipts / (payments) for the year		<hr/>	<hr/>
Transfers (to) / from general fund		<hr/>	<hr/>
Cash balance at previous year end		<hr/>	<hr/>
Cash balance at current year end		<hr/>	<hr/>

FABRIC FUND RECEIPTS AND PAYMENTS ACCOUNT

	Note	20xx	20yy
Receipts			
Donations and other income			
Income tax recovered on gifts			
Bank Interest			
Total Receipts		<hr/>	<hr/>
Payments			
Repairs			
Improvements			
Total Payments		<hr/>	<hr/>
Net receipts / (payments) for the year		<hr/>	<hr/>
Transfers (to) / from fabric fund		<hr/>	<hr/>
Cash balance at previous year end		<hr/>	<hr/>
Cash balance at current year end		<hr/>	<hr/>

NEW CHURCH BUILDING FUND RECEIPTS & PAYMENTS ACCOUNT

	Note	20xx	20yy
Receipts			
Donations and other income			
Income tax recovered on gifts			
Bank Interest			
Total Receipts			
Payments			
Architects and other Fees			
Building works			
Total Payments			
Net receipts / (payments) for the year			
Transfers (to) / from New church building fund			
Cash balance at previous year end			
Cash balance at current year end			

STATEMENT OF ASSETS AND LIABILITES AT 31 DECEMBER 20xx

	Note	20xx	20yy
Assets			
Bank and other cash balances			
Petty Cash			
Lloyds Bank Account			
BUC deposit account			
Other monetary assets:			
Debtors			
Loans made			
Gift aid claimed but not received			
Investment Assets	9		
Assets Held for Church's own use	10		
Total Assets			
Liabilities			
Current Liabilities	11		
Long Term Loans	12		
Pension Scheme liability	13		
Other liabilities	14		
Total Liabilities			

The accounts and statement of assets and liabilities set out on pages [1 & 2] relating to the year ending 31 December 20xx are as approved by the deacons.

Signed: (Treasurer or other Deacon authorised to sign on behalf of all the deacons)
[Date]

NOTES TO THE ACCOUNTS

1. Basis of accounts

These accounts have been prepared on a 'receipts and payments' basis and in accordance with Section 133 Charities Act 2011.

2. Donations and other income

	20xx	20yy
Donations		
Legacies		
Memorial gifts		
Coffee morning proceeds		
Other income [<i>detail if material</i>]		
Total Donations and Other Income		

3. Investment income

	20xx	20yy
Bank interest		
Trust income		
Other investment income [<i>detail if material</i>]		
Total Investment Income		

4. Raised for Other causes

	20xx	20yy
Home Mission		
BMS World Mission		
Homeless Shelter		
Total Raised for Other causes		

[amounts disclosed in this section should only include amounts explicitly raised in an appeal on behalf other charities. The amount passed on to the other charity should be disclosed under "Amounts passed on to other causes" in the payments section. Where the full amount has not been passed to the recipient charity, those funds belong to that charity and should be recorded as a current liability in note 11. Where a church has made a gift from its general fundraising this would appear only in the payments section under note 6]

5. Ministry

	20xx	20yy
Minister's stipend		
Pension contribution		
National insurance		
Minister's travel		
Pulpit supplies		
Manse costs		
Other ministry [<i>detail if material</i>]		
Total Ministry		

The Minister acts as one of the church's trustees and receives remuneration and other benefits in respect of his/her services as Minister, including the provision of manse accommodation [owned by the church/rented by the church/rented by the church from the Minister (and his/her spouse)/part owned by the church and rented in part from the Minister (and his/her spouse)] [delete as applicable. The wording will need to be adapted if there is more than one minister trustee]

6. Mission

	20xx	20yy
Home Mission		
BMS World Mission		
Sunday school Youth Work		
Mums' & Toddlers' group		
Other mission [<i>detail if material</i>]		
Total Mission		

7. Upkeep of church premises

	20xx	20yy
Lighting and heating		
Cleaning		
Insurance		
Repairs and maintenance		
Other premises [<i>detail if material</i>]		
Total Upkeep of church premises		

8. Administration

	20xx	20yy
Printing and stationery		
Telephone and postage		
Advertising		
Subscriptions		
Other administration [<i>detail if material</i>]		
Total Administration		

9. Investment Assets

	20xx	20yy
Stocks and Shares		
Corporate bonds		
Gilts		
Investment property		
Other investment assets [<i>detail if material</i>]		
Total Investment Assets		

[*Note: Any such assets should be detailed as necessary, be stated at approximate values (cost, market or insured) and an indication given as to the fund to which they relate*]

10. Assets Held for the Church's own use

The church is the beneficial owner (subject to the relevant trusts) of the following assets, the legal title to which is held by the church's custodian trustee [the Baptist Union Corporation Ltd]:

- Church premises at [address] valued in the accounts at £xxxx based on [cost / insured value / market value]
- Church manse at [address] valued in the accounts at £xxxx based on [cost / insured value / market value]
- A burial ground at [address]. No meaningful value is available so it has not been included In the Statement Of Assets And Liabilities
- The church also owns fixtures, furniture and equipment with an insured value of £xxx

[*It is acceptable to not include a value for an asset where no meaningful value is available (e.g. a burial ground), however such assets should be described in the text of this note where material*]

11. Current Liabilities

	20xx	20yy
Electricity billed but not yet paid		
Cheques written but not cashed		
Other current liabilities [detail if material]		
Total Current Liabilities		

[Sundry creditors should be detailed where material, together with an indication of the fund to which they relate]

12. Long-Term Liabilities

	20xx	20yy
Baptist Building Fund Loan		
Baptist Union Loan Fund Loan		
Loans from Church Members'		
Other [detail if material]		
Total Long-Term Liabilities		

13. Pension Scheme Liabilities

Where a church is an employer in a multi-employer defined benefit scheme such as The Baptist Pension Scheme and where they have agreed a deficit contribution funding plan, this liability is to be recognised on the balance sheet. The value of the liability should be the total all the future contributions to be made, discounted to present value using a discount rate equal to the yield on investment grade corporate bonds.

In October 2024, the insurance company Just Group completed a buy out of the liabilities of the closed defined benefit scheme. From that date any remaining liability of the participating scheme members to defined benefit scheme ceased and the £1 per month deficit contributions payable by the participating employers which were agreed in the recovery plan approved in August 2022 also ceased from that date. Administration of the closed defined benefit scheme transferred from the pension trustees to Just Group from that date.

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We have assumed in the template that churches will continue to reference the October 2024 event as it explains the pension transactions in 2024 which are the comparative for the December 2025 accounts.

14. Other Liabilities [if applicable]

[Any other material liabilities should be disclosed with an explanation of their circumstances and the fund to which they relate]

EXPLANATORY NOTES RELATING TO THE SPECIMEN FORM OF ACCOUNTS:

- a It is emphasised that the format is simply a suggestion (based on best charity accounting practice) and it may be adapted to meet the church's circumstances. If some of the accounts, headings or notes are inapplicable they should be deleted and the numbers of notes amended accordingly. Equally if the church has other significant categories of expenditure, they should be added into the appropriate section to aid the readers understanding of the accounts.
- b It should also be understood that the Statement of Assets and Liabilities is not meant to balance. It is merely meant to be a summary of the church's material assets and liabilities.
- c Amounts may be shown in pounds and pence or in 'rounded' pounds.
- d The amounts shown in note 5 in respect of the minister's stipend etc may, if desired, be aggregated under the sub-headings 'Minister's stipend and expenses' and 'Manse upkeep'.
- e The 'Fabric Fund' is an example of a 'designated' account and is used by many churches as a means of equalising repairs and maintenance costs over the years. Mission or Outreach accounts are further examples of 'designated' accounts.
- f The 'New Church Building Fund' is an example of a 'capital' (restricted) fund which is available only for a defined capital purpose.
- g It is good practice to indicate the value of the various assets held by the church. In the absence of recent valuations any property assets could be shown at their insured value. If the insured value is significantly different to the likely market value, (either above it because of planning restrictions reducing the value, or below it because of development opportunities increasing the value) some indication of this should be given. The value of church fittings, furniture and equipment could also be included (en bloc) at their insured value. Stocks and shares should be shown at market value, whilst a church-owned vehicle might be included at cost or its estimated market value. Values, however, are not essential.
- h If any amounts are due to the church at the year-end (e.g. loans made by the church or any tax recovery claim made but not yet received) these should be included under the heading of 'Debtors' in note 8.

Payments made in advance (e.g. telephone rental, council tax, water charges etc) should not be apportioned.

- i To ensure that all expenditure relating to a year is included in the accounts for that year, some church treasurers treat certain payments (e.g. PAYE and national insurance etc) made early in the next financial period as though the cheques had been drawn on the last day of the old financial period.

This would avoid having to treat them as outstanding creditors, but if this practice is not followed any such creditors will need to be disclosed under the heading of 'Current Liabilities' (note 10(a)). Liabilities which are accruing but have not yet been invoiced (e.g. gas, electricity telephone, etc.) should not be included.

Where a church has any outstanding loan obligations these will need to be disclosed under the heading 'Long-term loans' (Note 10(b)). The loans should be detailed in the note together with an indication of the date (s) when due (or the period over which repayable) and, if applicable, the property upon which they are charged.

Where the church has been a member of the Baptist Ministers' Pension Fund and it was agreed that payments would be made under a repayment plan, it should be noted that there is no longer a deficit within the Pension Fund and therefore there is no longer a debt relating to this. In accordance with the change in circumstances, no debt has been entered in relation to the Pension Fund.

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.

Contact Address and Registered Office:

Baptist Union of Great Britain, Baptist House, PO Box 44, 129 Broadway, Didcot, OX11 8RT
Telephone 01235 517700 email financeoffice@baptist.org.uk website www.baptist.org.uk
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