
Here to help you

John Kemp, Parish Advisor (Providing training seminars, guiding PCC members, answering PCC questions on Governance, Stewardship including Parish Giving Scheme and Legacies, and Accounting)

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As the whole PCC is responsible for oversight of everything legal and financial, major tasks often underplayed are those of preparing reports which tell your donors what has been achieved with their money.

These notes have been prepared for guidance of all PCC members, reminding you of key points and advising where you can get help.

The **PARISH GIVING SCHEME** gives your PCC the opportunity to receive regular income flows without having to count cash or cheques and find a bank branch to pay them in.

DIGITAL GIVING is becoming normal for over 50% of the population – is your church **MISSING OUT** on using this technology to increase its incoming donations?

LEGACIES are a very good method of continuing **PARISH MINISTRY** provision, provided that the giver instructs the solicitor to write an unrestricted clause in the will, enabling the PCC to decide how to use the gift according to obvious need.

The Content of PCC Statutory Annual Reports under English Law

Background – Responsibilities of the Whole PCC

To some readers of these notes it may be a surprise to learn that Charity Law applies to all charities, even those which are not registered with the Charity Commission.

Even if the PCC is not registered and, even if proper APCM reporting is done, it is the Law that a proper Trustees' Annual Report is produced in accordance with the Charities Acts.

Some PCCs are not yet providing a Trustees' Annual Report containing the required information about your oversight of your charity. Other PCCs are using a template that applied 10 years ago, prior to the enacting of the 2006 Charities Act. These notes are provided to assist even the smallest PCC in the process of gathering information to write its Trustees' Annual Report as well as its annual accounts presentation.

During earlier seminars, we looked at the interaction between the two branches of English Law: Ecclesiastical Law and Secular Law and, we concluded that the Lord Jesus Christ commanded us to obey both sections of English Law.

In their respective ways and, with their particular focus, both branches of English Law regulate the annual reports which have to be prepared **on behalf of the whole PCC** and presented to:

1. The PCC for its collective ownership and approval
2. The Independent Examiner;
3. The Annual Parochial Church Meeting (APCM)
4. Donors and other users of the information (including Church House)
5. HM Revenue & Customs & the Charity Commission
6. Grant-making bodies.

If someone asks for a copy of the annual reports it is important to have at least one signed copy available to reproduce. The cheapest method of doing this is to convert the signed annual reports to a pdf, storing the file on a suitable computer. Otherwise keeping a paper copy becomes essential.

A person, whether a parishioner or not, is perfectly entitled to request that the PCC provides them with a copy of its annual reports. Copies ought to be provided for public use as part of the information about your church. A digital copy ought to be emailed for free otherwise, a nominal charge of £5 for photocopying is considered reasonable (*although we may want to consider whether or not insisting on a financial charge may impact on a potential donor's willingness to donate*).

The Charity Commission has signified its intention to require all charities with an income of £5,000 or more, to be registered with the Commission by 2021.

We may consider that the Commission is under-resourced to be able to oversee the significantly larger number of smaller charities, currently excepted from registration. We should note, however, that most, if not almost all, non-religious charities are required to register with the Commission already. The greatest impact on this change in the law will fall on PCCs and, similar church charities excepted from registration.

Advance preparation

Once the Charity Commission undertakes the oversight of your PCC's reporting instead of the Church, it may well become obvious to the Commission, which PCCs are non-compliant with the regulations they have made.

Already, registered PCCs who have not filed their reports with the Charity Commission, by the required date of 31st October, are discovering that they are being followed up with requests to comply.

Upon reading regular reports issued by the Commission, it becomes obvious to the reader that failure to submit properly-prepared annual reports, triggers a process of investigation that leads to further enquiries.

In some cases nationally, registered churches which have not obeyed the Law to file appropriate reports, are being subjected to further investigation; sometimes resulting in the discovery of other, far more serious errors. The lack of properly-prepared, properly examined reporting, acts as a flashing neon light, inviting further time-consuming investigation, administrative and regulatory procedures and, considerable inconvenience.

Surely, it is much better to act to prepare suitably up to date reports, than to ignore the approach of the 2021 deadline? How, therefore, can we all make advance preparation for the requirement to submit our annual reports to the Charity Commission from 2021 onwards?

Compulsory Reports & Independent Examination

All PCCs must prepare **two annual reports** which comply with the requirements of the Charities Act 2011, namely:

- The Trustees' Annual Report, and
- The Annual Financial Report.

Both of the above should be presented to a PCC meeting and discussed early in the new calendar year.

Once the two reports are agreed by the whole PCC, someone, usually the Incumbent or a Churchwarden, should be asked to sign and date each of the two reports **on behalf of the whole PCC**, and a **minute** to that effect placed on record.

Independent examination of Annual Reports

Once the two reports have been discussed, agreed and signed, **both reports** should be delivered to the Independent Examiner, to be examined before signing the statutory **Independent Examiner's Report**.

Next, **all three** Reports should be presented to the APCM during April, then sent to Church House **by 31st May**.

Reviewing your Examiner's suitability

According to the Charity Commission, charity Trustees have a **duty to appoint** an independent examiner who can perform a competent review of their charity accounts. Charity Trustees should therefore be aware of the matters of material significance and the duty placed upon an auditor or independent examiner to report matters to the regulator.

It is clear from reading PCC reports that there are some Examiners who are unaware of the Charity Commission guidance on Independent Examination. It has been noticed also, that some Examiners are certifying the accounts using their own wording of the statutory examiners' report and, are certifying accounts that fail to comply with up to date standards of disclosure.

It is the responsibility of the PCC **collectively** to ensure that a proper Independent Examination is taking place and to make changes if obviously it is not. A guidance booklet has been published by the Charity Commission, the contents of which, PCC members would be well-advised to read and, a copy given to each Examiner before the Independent Examination is begun.

If it is obvious to members of a PCC that the person given the task of Independent Examination is not up to the task, it is the PCC's responsibility to find someone who has suitable knowledge and understanding of examining the financial records and, their comparison with the Trustees' Report.

Download a copy of the Charity Commission’s guidance (CC31) here:
http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/337907/cc31text.pdf

Your Examiner can download guidance (CC32) here:
http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325737/cc32text.pdf

Examiners’ Statutory Duty to Report to the Charity Commission

Kindly note that there is a **up to date version** of the Independent Examiner’s Report to be found in the template.

Sections 156 and 159 of the Charities Act 2011 place a duty upon the independent examiners of all charities to make a report to the Commission, where in the course of their examination, they identify a matter, relating to the activities or affairs of the charity or of any connected institution or body and, which the examiner has reasonable cause to believe is likely to be of **material significance** for the purposes of the exercise by the commission of its functions listed in section 156(3) of the Act.

Reportable matters are those of material significance **to the Regulator** in carrying out their functions. For example, the matter may be an issue which the Charity Commission will consider for investigation or which could impact on the charitable status of the organisation.

Put simply, if the examiner is not happy with the underlying accounting or the presentation of something in the annual reports, it should be reported to the Charity Commission as soon as practicable.

This duty applies to both company and non-company charities which are registered with the commission and also, to charities which are currently excepted from registration with the Commission. Thus, it applies to **all** PCCs.

Independent examiners may decide that other matters not included in the list below are in their judgment of such a nature that they consider them reportable as a matter of material significance. In this case in making their report they should identify the matter(s) reported as of material significance.

Reportable matters of material significance may include:

	Title	Each Matter is prefaced by the following statement - ‘During the course of an audit/independent examination’
1	Dishonesty & Fraud	matters suggesting dishonesty or fraud involving a significant loss of, or a material risk to, charitable funds or assets.
2	Internal Controls & Governance	failure(s) of internal controls including failure(s) in charity governance that resulted in, or could give rise to a material loss or misappropriation of, charitable funds, or which leads to significant charitable funds being put at major risk.
3	Money Laundering & Criminal Activity	knowledge or suspicion that the charity or charitable funds including the charity’s bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity.
4	Support of Terrorism	matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, except for matters related to a qualifying offence as defined by Section 3(7) of the Northern Ireland (Sentences) Act 1998.
5	Risk to charity’s beneficiaries	evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity’s beneficiaries have been or were put at significant risk of abuse or mistreatment.
6	Breaches of law or the charity’s trusts	single or recurring breach(es) of either a legislative requirement or of the charity’s trusts leading to material charitable funds being misapplied.

7	Breach of an order or direction made by a charity regulator	evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities.
8	Modified audit opinion or qualified independent examiner's report	on making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified/independent examiner's report.
9	Conflicts of interest and related party transactions	evidence that significant conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed in all the respects required by the applicable SORP, or applicable Regulations.

A matter becomes reportable as soon as the auditor or independent examiner:

- becomes aware of it or
- intends to offer a modified audit opinion, an audit opinion with an emphasis of matter or material uncertainty regarding going concern,
- or a modified independent examination report which identifies one or more concerns about the charity's accounts.

The Charity Commission advises "If in doubt, report it" to both charity trustees and independent examiners.

Charity Commission analysis of public benefit reporting

In the past the Church of England has provided templated information, copied by most churches, to assist them in fulfilling the annual reporting requirement. Lately, the Charity Commission has attempted to clarify what it believes the phrase ‘public benefit’ actually means in practice.

In a recent Commission review of the reporting of charities’ activities, the percentage of annual reports that met the public benefit reporting requirement in 2018 was found to be only 52%, down from 59% in 2015.

Their comments on reporting public benefit can be broken down into three distinct sections (as listed and then discussed, below).

The Commission comments that it is disappointing that all too many charities do not explain the activities they undertake **to improve the lives of their beneficiaries** and make a difference, (their **impact**).

*** “The public benefit element of the public benefit reporting requirement can be broken down into 3 parts. A charity’s annual report is required to:*

1. *Explain what the charity is there to **achieve** (its purposes) - 66% of sampled reports did so*

comment: Churches’ annual reports explain that they proclaim the gospel in all its aspects.

2. *Explain what the charity has **done** during the year to carry out those purposes (its activities) - 66% of sampled reports did so*

comment: Churches provide worship services, communion, concerts, fetes, help the young and the elderly, etc. They list numbers on the Electoral Roll, numbers baptised and funerals taken, etc.

3. *Explain **who benefits** from the charity’s activities (the public benefit) – only 52% of sampled reports did so.*

comment: Churches are beginning to demonstrate how they made a difference to the lives of their parishioners, but many still miss out this important legal requirement.

*** “The quality benchmark was based on recent research into trust in charities which found that **‘ensuring a reasonable proportion of donations make it to the end cause’** and **‘making a positive difference to the cause they work for’** were the most important factors for public trust and confidence in charities.*

Trustees are falling short on the requirements to explain activities carried out by the charity to further its purposes for the public benefit, and to provide a public benefit statement.

*It is important that you explain the activities your charity undertakes and the impact you have. We want to see charity thrive, so charities must be clearer about who they help and what difference they are making.” ***

*** Extracted from the Charity Commission’s reports on public benefit reporting*

Observation on the Charity Commission's analysis

Most churches provide the information in 1. and 2. above; such as how many parishioners are on the Electoral Roll and, how many baptisms or weddings took place: which is to be encouraged.

To fulfil the regulatory requirement though, please be aware that the Commission is looking for reports that explain the difference that church's activities made to beneficiaries' lives. It appears, from their comments quoted above, they believe it is 3. above that reveals how the church benefits publicly, those it serves. They appear to believe that only by fulfilling 3. above, can public benefit be **demonstrated**.

Many PCC annual reports do not provide that additional detail at present.

To be able to fulfil the extra requirement that the regulators are looking for; as a PCC, please begin to consider before writing this year's Trustees Annual Report, how you will be able to explain the difference you made to the lives of people who engaged in the activities the church provided.

Changes to standards of reporting

The purpose of this document is to suggest how the annual reporting may be approached, bearing in mind that **standards of reporting are changing**. With the Government paying out large sums to the charity sector annually, there is some pressure on the sector to provide details of their performance.

The Government is increasingly looking into how each sector of public life compares with the 'cost' to the Government of the 'handouts' of public money they provide.

Performance is not just a description of what we did but, how we are making a difference. The annual reports will need to demonstrate how all charities, including PCCs, are making a difference to the lives of the beneficiaries of their charitable work.

English Law has recognised for many years that, the provision of religion is a charitable work but, the Judiciary and then the Charities Acts introduced a stiffer requirement: to be able to demonstrate that such work is of 'public benefit' (and not just the 'private' benefit of the church members).

Section 4(2) of the Charities Act 2011 states specifically that "it is *not to be presumed* that a purpose of a particular description is for the public benefit."

The provision of religion, education or, relief of poverty, however, in Law cannot be **presumed** to provide public benefit, though. It becomes a question of fact: did the provision of religion, education or, relief of poverty actually provide public benefit, or did they not do so? Did the church's activities affect a sufficient proportion of the general public that, public benefit actually occurred?

The Charity Commission's analysis above, in this respect, highlights that very few churches are actually demonstrating how they affect the lives of their beneficiaries. It may be that future changes in public policy may distinguish the classification of charities between:

- those who are able to demonstrate that they affect their beneficiaries' lives and,
- those who are unable to show that they do so.

It must be time to sit up and begin thinking how our churches may be categorised in future and, to try to ensure that we retain our rights to Gift Aid and other preferential treatment. If we cannot demonstrate how we affected our beneficiaries' lives, we may find that important income flows may be curtailed.

Key Aspects of the Trustees' Annual Report

The Diocesan Strategy

Bishop Richard launched the Diocesan Strategy in 2015. Details can be read here:

<http://www.chichester.anglican.org/diocesanstrategy/>. Every Benefice is urged to have a plan in place for Christian growth and nurture and a credible but stretching target for numerical growth.

The Diocese is facilitating and releasing energy to plant churches into areas of recognised need and opportunity and, every Benefice is to be financially self-supporting through a combination of encouraging generosity, grouping into financially sustainable units and, in areas of deprivation, the provision of direct grant help from historic resources.

Numerical growth assumes that the church is interacting with the community it serves; welcoming parishioners (beneficiaries), providing them with the means of meeting with the Lord Jesus and His community of believers and, sharing in what the church does best.

On occasions numerical growth may mean that the church has to modify its usual practices to encourage the unchurched to even want to engage with us (*the benefit becomes 'public' instead of just 'private'*). Perhaps **we** need to **give to them** without expecting anything in return.

All of these and much more can be explained in a suitably worded TAR so that we demonstrate that we were of public benefit and making a difference to beneficiaries' lives.

Fulfilling your charity's objects for public benefit

It is the responsibility of all the trustees to raise and spend money, in order to fulfil their charity's objects.

To be recognised as a charity a PCC has to:

- demonstrate that it is of public benefit
- demonstrate that it is making a difference to beneficiaries' lives and provide details of impact.

PCCs are NOT running a business, seeking to accumulate money, as this is unlikely to be of public benefit. The law assumes that donors, unless they state otherwise, give money for it to be spent.

We need not focus so much on describing how we raised the funds but importantly, demonstrating **how income is spent**, enhancing beneficiaries' lives by that expenditure.

Thus, to fulfil the requirement to 'demonstrate the difference that the church has made to beneficiaries' lives when writing this report, a little more thought is needed and, a standardised template, whether from the diocese or from a local accountant, is unlikely on its own to be what's required.

Gathering material to start writing a report

To begin, consider being a church that **wants to give to parishioners**.

Churches undertake many activities during a typical year. Examples below include some extracted from actual reports submitted to Church House during the year. The guidance is grouped according to the 3 elements in the Charity Commission's Public Benefit report mentioned earlier in these notes.

Public Benefit element 1 - Our aims and purposes as a charity

The examples in the template explain what the charity is there to **achieve** (its overall aims and purposes- how we want to give charitably)

Public Benefit element 2 - What we planned to do to achieve our charitable objectives

The examples list what the charity **planned to do for the year**, to achieve the aims above – what/how we planned to make a difference to beneficiaries' lives

Kindly note that these two important paragraphs should be included:

When planning our activities for the year, our incumbent and the PCC have considered the Charity Commission's guidance on public benefit and, in particular, the specific guidance on 'charities for the advancement of religion'.

The PCC has complied with the duty under section 5 of the Safeguarding and Clergy Discipline Measure 2016, fully recognising its duty to have due regard to House of Bishops' guidance on safeguarding children and vulnerable adults.

Activities we planned to do may fall under the **bold** general headings below. To describe those activities that your PCC planned to do, copy the heading or any relevant bullets.

We enable as many people as possible to worship at our church:

- Enabling as many people as possible to become part of our parish community
- Teaching, baptising and nurturing new and existing believers.

We offer services of worship to God:

- Maintaining an overview of worship throughout the parish
- Considering how services can involve the many groups that live within the parish
- Putting faith into practice, through prayer and scripture, music and sacrament.

We promote the gospel and pray that the unchurched may find life in Jesus Christ:

- Assisting people from all walks of life to develop their knowledge of, and trust in, Jesus
- Holding courses to advance religion and providing educational courses, such as safeguarding
- Living out our Mission Statement – 'Knowing Christ and Making Him Known'; putting faith into practice
- Establishing home groups at which we learn about the Bible, with worship, prayer and fellowship.

We engage in evangelism and outreach to the parish in various ways:

- Reaching out to the unchurched through provision of the village fete and offering food and fun at Harvest or at other times
- Developing community cohesion by reaching the wider community throughout the parish by leaflet drops advertising seasonal events, Alpha and our totally free Community Fun Day.

We provide a building for people enjoy:

- Maintaining the fabric of the church building as a historic centre and focus of life in the village
- Enabling an appreciation of the church building in the history and archaeology of the area.

We provide tangible pastoral and financial support to the poor and needy:

- Providing pastoral care for people whether part of St Jude's church family or not
- Providing financial assistance to the poor and needy of the parish
- Spending the income of our parish trusts according to the objects established by their donors.

We consider the needs of people served by other charities and overseas

- Giving grants to wider Christian charities
- Giving grants to missionary organisations.

Public Benefit element 3 - What we achieved and how we affected beneficiaries' lives

The paragraphs in the template are selected from some of the reports sent to Church House. They are provided as examples of wording to help you to comply with the regulations, bearing in mind the Charity Commission's observation that too few charities were demonstrating their effect on beneficiaries' lives.

There is no reason to have to use all that is said. Select individual sentences of text as applicable but, please be careful only to use any part of the wording when it is applicable to your church's activities during the year and, **add additional detail as appropriate.**

a) Attendance at worship

A good opener: *"The church family welcomes visitors from within as well as outside the parish boundary. Visitors attend by personal choice and, it is our great pleasure to welcome anyone from all walks of life to take part in the life of the church. We contend that voluntary attendance to worship the Lord Jesus Christ is a major demonstration of the public benefit of our activities."*

Here you may want to show how numbers are rising, but you may wish to leave out this detail if the numbers are falling. You may wish to record the numbers who attended during Easter, October or Christmas compared with last year or before (again, preferably showing a rising trend).

Don't forget to include numbers benefitting from children's groups and May Camp (if applicable) and compare with earlier years. You may wish to include numbers on the Electoral Roll compared with earlier years.

b) Teaching, baptising and nurturing new and existing believers

You can talk about:

- baptisms
- housegroups/homegroups
- re-imaging ministry
- nurturing of faith through study and practising God's word
- meetings to pray for the church and parishioners.

Each might be described in a way that benefits attendees or the wider community in some way.

c) Evangelism and outreach

If the church outreached through any form of event or events, describe them and how they made a difference to parishioners' lives.

The events, for young and old, could include fun, food, friendship. Such events might identify groups of people without naming them in any way, in need of follow-up and other support and, what the church did to engage with them in an ongoing way. The number coming to faith for the first time may be noted and the follow-up that was done, to encourage their new lives in Christ.

Events include:

- A parish barbeque, village fete or other parish event spearheaded by the church
- A Christmas concert where parishioners' children were happy to make friends and take part
- A parish Harvest Supper to include those otherwise at home alone
- A new believers' group or Alpha group.

d) Provision of the church building for people to enjoy

This may include:

- Celebrations of baptisms, weddings and funerals
- You may include a paragraph such as this one: *"Our church continues to be appreciated by our parishioners and many others, as a space where life events are celebrated with joy and thanksgiving"*
- Some churches celebrated other parish events in their building, such as a parish picnic indoors due to bad weather or a Christmas concert, showing how many people enjoyed the event
- Description of the repairs to a heritage building (the church building) and how it is being maintained for future generations to enjoy its spaciousness
- If (only if) the doors are open regularly, the building could be a place for quiet contemplation and prayer

- Favourable comments from a Visitors' Book (provide examples)
- Appreciation of historical and archaeological details (provide examples).

e) Spatial reordering of the church building and future projects

Any description of reordering would be specific to your church building. Don't forget that you are explaining how parishioners may benefit from the expenditure.

f) Provision of pastoral care for people living in the parish

Some churches have a pastoral team who visit people in need. Others have to rely only on their Clergy. Either way, churches may visit the sick and lonely and seek to care for and comfort them. The description of the general pastoral care to young and old, providing communion for people unable to come to church and giving up of time and energy to assist those in need, is a description of the important function of the church and the benefit of its presence nearby.

g) Provision of tangible support to the poor and needy

The church may allocate some of its funds towards helping the poor or needy or, it may have a trust that attempts to make some provision. If your trust fund is "to provide a lump of coal for the poor at Christmas" why not use the income to pay a grant towards someone's electricity or gas at that time? Don't let the opportunity to reach out be missed.

Describe what you did and how it benefitted the parishioner(s).

h) Other charitable giving

Churches with extensive trust funds have an even greater duty to expend the income on charitable objectives that make a difference to beneficiaries' lives.

Describe the trust funds' objects, how much income was received and how it was spent. Don't let anyone accuse the church of withholding grants, by accumulating income instead of spending it.

Some churches give away their parish magazine free of charge as a witness for Christ.

Other churches provide teas and coffees for free after the service, as a good way to practise hospitality; new visitors to the church feel welcomed, rather than charged to enter.

Money from teas and coffees is not eligible for Gift Aid (as it is trading income), but if a sum to cover the tea and coffee was added by regular givers to their giving, the higher sum would be available to claim Gift Aid.

Many churches list various charities and charitable appeals to which money was given, although the benefit for parishioners may more difficult to identify.

i) Reserves Policy

The suggested wording in the template should be sufficient for most churches.

Background: Another legal requirement (Charities Act 2011) is that the TAR should explain the *Reserves Policy* which aims to keep no more than a specified sum set aside, expending the remainder of general income on its charitable objects during the year. Legacies should be spent as soon as possible on the objects specified by the donor. Endowment income should be spent likewise. The reserves policy should explain why Endowed income is being accumulated rather than spent.

General reserves are needed to give financial stability to a charitable organisation. Most would expect to set aside out of General funds something like six weeks' to three months' worth of general funds. Beyond that, under the Law, there has to be very good reasons why the money is not being spent on the Church's objects.

Churches experience Quinquennial Inspections (QI) every five years. One of the reasons for setting aside further funds, arises from QI. Funds can be Designated to cover known or expected repairs to fabric but, QI should not be an excuse to accumulate funds for a "rainy day".

Accumulating Endowed income though, is much less likely to find favour with the Charity Commission. The donor has given the money to produce an income to pay for (usually) restricted purposes. It is the responsibility of the PCC to identify beneficiaries of the income and, to spend the money as directed by the donor.

To demonstrate that the trustees are acting responsibly, the PCC minutes should reflect the discussions and decisions related to endowed funds and, how attempts were made to identify beneficiaries.

The template explains how endowed income has been spent for the benefit of those in need. It is the trustees' duty to consider at least every year, how trust income can be spent and not accumulated. Only really small trust funds produce so little that they would need to be accumulated until a suitable need can be provided for.

General observations:

1. Decide on the important events of the year

Once you have written something down, based on the suggestions above, proceed as follows:

- Don't forget, consider being a church that wants **to give** to parishioners
- DECIDE which events were the important and/or major events – don't try to write about everything
- Then obtain a few testimonies of people who used the church and its facilities, especially those who benefitted from your presence at no cost to themselves
- Incorporate what they say into the text of the TAR. The template includes highlighted boxes enabling you to quote a few people's comments. These may be comments of appreciation written in a Visitors' Book, comments of grateful mothers who attend a Mothers and Toddlers Group and/or, even examples of transformed lives of down-and-outs or, former criminals, who have come to follow Jesus
- You can include numbers of attendees at services and activity groups, etc. making sure you use this as testimony to the benefit of having the church in the local area. Often the TARs merely provide the numbers without saying how this reflects the benefit that the church's presence brings to beneficiaries.

If none of the examples are of use, you could include the comments about being part of the flower rota by its members, as it provides friendship to the group and, beauty and colour to the church.

"Ringing the bells really makes my day! "

James

Bell-ringing is an important mission within the church's life and ministry. Wedding couples usually love to have the bells rung and, the call to worship before services is often an integral part of village life.

Likewise, the village fete is a much-loved outreach to the community, providing competitive fun and traditional village togetherness. Why not include comments from the bell-ringers group, or the attendees at

the fete and/or, members of the fete committee?

2. Don't include everything in one report

If you pack your report with so many achievements it will seem too unwieldy and may not engage the reader.

Rotate the activities talked about and the comments; so that over a period of years, the church's life is explained and the benefits of being part of this great family can be read about.

3. Engage the reader

The template contains real life examples. All you have to do is adapt the wording to apply to your church.

Written in an engaging way, the TAR reaches out to the community, encourages others to join and, explains to the Charity Commission the charitable benefit that the church provides.

Charities Acts Requirements

When pulling together material for your TAR, please remember that all TARs MUST contain the following information:

- Aims and Purposes
- Objectives and activities
- Performance Review of the achievements for the year
- Financial Review
- Reserves Policy
- Structure Governance and Management
- Statement of compliance with the Charity Commission's guidance on 'public benefit'
- Statement of compliance with its duty to have due regard to House of Bishops' guidance on safeguarding children and vulnerable adults.

The template following is only an example of how some of the above can be done. It has to be tailored to your church's activities and the achievements you perceive were important in the year.

You **do not** need to use the above bullets as **specific headings** but, you **DO** need to include the information in the report.

There follows a suggestion as to how the TAR can be presented, using the new layout. Please remember that you do not need to have a very long report, only describing at least one or, maybe two or three, examples of public benefit.

Trustees Annual Report and Financial Report

of

The Parochial Church Council of the Ecclesiastical Parish of

St Jude's Church, Chicheston

St Jude's Church, Hope Avenue, Chicheston CH1 3CB

Registered Charity no. 123456

For the year ended 31st December 2019

CONTENTS

	<i>Page</i>
Trustees annual report	x
Statement of financial activities*	x
Statement of receipts and payments*	
Balance sheet*	x
Statement of Assets and Liabilities*	
Notes to the accounts	x
Report of the independent examiner	x

*Delete as appropriate

Website: stjudeschicheston.org.uk

Incumbent: The Revd O Slope, The Rectory, 27 Hope Avenue Chicheston CH1 3CP

Independent examiner: Mr E Grabbitt, 4 Greenback Lane, Chicheston, CH2 8EB

Bankers: The Caring Sharing Bank, High Street, Starbridge, ST8 6WT

St Jude, Chicheston

Trustees Annual Report for 2019

Our aims and purposes as a charity

The PCC has the responsibility of co-operating with the incumbent, the Revd Obadiah Slope, in:

- The promotion of the gospel of the Lord Jesus Christ according to the doctrines and practices of the Church of England
- Promoting in the parish the whole mission of the church, pastoral, social, evangelistic and, ecumenical
- To know Jesus better and make Him better known
- Practical support and care for people in the parish, from the youngest to the eldest, irrespective of level of need or, ability to pay
- Providing financial support those in need and, to other organisations with similar objectives.

The PCC also contributes to the maintenance and some of the running costs of a separately-constituted charity known as St Mary's House, The Green, Chicheston.

What we planned to do to achieve our charitable objectives

When planning our activities for the year, our incumbent and the PCC have considered the Charity Commission's guidance on public benefit and, in particular, the specific guidance on 'charities for the advancement of religion'.

The council has complied with the duty under section 5 of the Safeguarding and Clergy Discipline Measure 2016, fully recognising its duty to have due regard to House of Bishops' guidance on safeguarding children and vulnerable adults.

For 2019 we discussed and planned the following objectives and activities to fulfil our aims:

- Enabling as many people as possible to worship at our church
- Enabling as many people as possible to become part of our parish community
- Teaching, baptising and nurturing new and existing believers
- Maintaining an overview of worship throughout the parish
- Considering how services can involve the many groups that live within the parish
- Putting faith into practice, through prayer and scripture, music and sacrament
- Offering worship and prayer, learning about the Gospel, in small group situations
- Assisting people from all walks of life to develop their knowledge of, and trust in, Jesus
- Provision of pastoral care for people living in the parish
- Providing assistance to the poor and needy of the parish
- Giving grants to missionary organisations
- Reaching out to the unchurched through provision of the village fete and offering food and fun at Harvest
- Maintaining the fabric of the church building as a historic centre and focus of life in the village.

What we achieved and how we affected beneficiaries' lives

Attendance at worship

The church family welcomes visitors from within as well as outside the parish boundary. Visitors attend by personal choice and, it is our great pleasure to welcome anyone from all walks of life to take part in the life of the church. We contend that voluntary attendance to worship the Lord Jesus Christ, is a major demonstration of the public benefit of our activities.

"I was made really welcome as I had just come out of the Night Shelter, this church is absolutely fab.. "

.....AB

The average regular weekly attendance, counted during October was 202 adults and 34 children, with the number increasing on both Harvest Sunday and All Saints Sunday. Over the course of the year we have seen a steady rise in service attendance and it has been a great encouragement to welcome new families to St. Jude's.

We look to encourage the deepening of faith for all ages, and alongside our services there is a programme for young people from crèche through to teenagers to join in with. Our youth work is especially varied with 4D (4th Dimension) open to Year 8+ and meeting on alternate Sunday evenings to complement the fortnightly Sunday morning group.

'Just wanted to say thank you for the 4D group you ran tonight – R has literally burst into the house fizzing with excitement'

VN via Facebook

Christmas is a very special time of celebration where many sections of the community come together to join in the services. Children and adults alike join in and memories are made. All but one of the services held in the run up to Christmas in 2019 saw the largest congregations of the last five years.

Likewise at Easter we saw record numbers of families attending our Messy Church Good Friday morning service (73 adults, 80 children) and very busy services on Easter Sunday itself. This has confirmed our desire to restructure the balcony to allow more seating for the community as well as the regular congregation at these special events.

The new format for services seems to have been a success with an increase in numbers attending. The numbers regularly attending has risen from 67 to 83 and it is a joyful encouragement to welcome new families to the church.

We continued our emphasis upon the family and the children's ministry. The Youth Group, Zap, has a thriving group of 14 younger people (aged 10 – 16), who attend regularly and take part in a variety of activities, including May Camp.

Teaching, baptising and nurturing new and existing believers

It was with great delight that we celebrated the baptism of 2 people who had come to faith for the first time and, 2 more who re-dedicated their lives to the Lord Jesus Christ during the year.

In 2019 there have been 4 weddings and 1 wedding blessing; 2 church funerals with 13 other funerals conducted for parishioners; 4 burials of ashes; 28 baptisms and 5 candidates confirmed.

A greater number of the church family have been involved in leading various aspects of worship, lending great encouragement to those involved, as well as the whole congregation. We continue to seek to extend the opportunities for the exercise of ministry and gifts within the life of our community. We obtained 'Permission to Preach' for a further 2 members of the congregation, raising the total to 5.

In September over 130 adults and children went away to Ashburnham Place in East Sussex for our Church Weekend away. The benefits were twofold; firstly, learning from guest speakers more about living life as a Christian and then secondly members from different congregations had the opportunity to socialise, get to know (more) people at a deeper level, share experiences, and spend leisure time and meals together as much or as little as each individual preferred. Attendees were asked to pay 50% of the cost of the event on booking, and later all church members were invited to make gifts towards the balance of the overall cost. The church supported several people to attend the weekend by paying their whole cost and, the costs of the whole event were fully covered.

Evangelism and outreach

"My life changed when I walked into St Jude's Church"

Mrs E....

A highlight of our year is a totally free Fun Day for the community around us and it is enjoyed by many. It is held on our lawns and inside the church is set with chairs and tables for visitors to enjoy free refreshments. We have a variety of bouncy castles which are incredibly popular with the younger visitors, nail art and face painting, and a hot dog and burger barbecue area. Fun day in 2019 was a beautifully hot day and brought us so many visitors (400-500 adults and children) that we twice had to purchase more barbecue food! At the back of the

church are two large display areas where two local schools (XXXX Primary and ZZZZ Primary – both Community Schools and not Church of England) display art in keeping with the church season. This connects families with the

church and provides strong links with the schools involved. Christmas school assemblies and Christmas performances also take place within St. Jude's to complement the acts of collective worship the Vicar takes in each school.

We hold Alpha courses where people can explore the Christian faith in the local NNNN Club, a social, sports and business club. We chose the NNNN Club as it is a neutral venue frequented by many, and perhaps a more familiar place in which to explore Christianity than our church. The whole of our Parish is leafleted in the run up to the course and anyone is able to attend. A 2-course meal, a drink on arrival and tea/coffee after the meal are all provided free of charge for course participants. The course runs for 11 weeks and includes a free day away at St. Matthew's in Needham. In 2019 we ran two courses and 8 who participated have become integrated into the worshipping community of the church.

Provision of the church building for people to enjoy

We celebrated 4 baptisms, 2 weddings and 3 funerals in our church during the year. Our church continues to be appreciated by our parishioners and many others, as a space where life events are celebrated with joy and thanksgiving.

The main focus this year has been to explore ways in which the church building can be used for events in addition to services. Due to bad weather in August, the church was used by the local community to hold the annual Picnic in the Park, welcoming in excess of 500 people and children to activities throughout the day and establishing the reorganised building as a focus for the community to use in the future.

It is important to us that the church is available for private prayer not just to the church family but to the wider visiting community. To this end the church building is always open and the many entries in the Visitors' Book testify to this.

Many remark not only how refreshing it is to find an open church but, also the sense of peacefulness and spirituality

"I've been coming to this church for 40 years and am so glad to hear that the repairs are being done. It's such a lovely building..."

Bob R

that pervades the church.

Other remarks include the sense of history within; that people of much earlier generations found life and presence there and, comments on the appreciation of the architectural beauty of the building and biblical archaeology.

Spatial reordering of the church building and future projects

The church family has a plan to enhance the audio-visual equipment, replacing some elements where necessary. This will enable a more modern approach to services, whilst protecting those who prefer the alternative approach to worship through hymn books and leaflets.

These are significant changes to our approach to family worship but, our parish is currently in a good position to begin the new work. Ongoing decisions made in faith, to adopt and encourage the Diocesan Strategy of re-imagining of ministry and, to modernise our church building, point to a hopeful future but, will require the continued spiritual and financial commitment from all of us, to see it realised.

Provision of pastoral care for people living in the parish

The Pastoral Care Team, chaired by DDDD, is responsible for hospital visits and home communions. The team also visits 3 care homes locally where monthly communion services are held for those too frail to attend the church. An average of 25 people makes use of these services.

We have a team of 6 church members who have dedicated themselves to the work of the Street Pastors organisation in the town. Regularly they sacrifice their time and energies to caring, listening and helping people who remain out in the streets late at night.

Provision of tangible support to the poor and needy

Of particular encouragement was this year's Harvest festival where the children presented their gifts by themselves. The church donates the produce and other gifts at Harvest, to the NNN Homeless Project.

"Ah, St Jude's, we can always depend on you, for food donations"

House Manager, NNN Homeless Project

Church members responded to provide many tins of soup, toiletries and other essentials for the Sxxxxxx Project's Romania outreach.

Other charitable giving

Under the trust deed of the Simon Wetherby Memorial Trust, the PCC continues to identify beneficiaries for the income whose objective is assist the education of the poor of the parish. This year £x,xxx was received as income from the investments of the trust, and three beneficiaries were identified to be in need of the provision that it provides. Income not yet allocated amounts to £xxx, which will be added to the grants to be paid out during 2020.

The church holds two old trust funds: The AAA Bequest, for the relief of poverty in the parish and, the BBBB Trust to pay for the education of children of the parish. This year £x,xxx was received as income from the investments of the AAA Bequest and 2 grants were made to assist with heating bills during the Winter months. £xxx was received as income from the investments of the BBBB Trust and, 2 grants were made to enable the purchase of suitable clothing and equipment, for 2 children to attend the local Church of England Primary School. Income not yet allocated amounts to £x, which will be added to the grants to be paid out during 2020.

The parish magazine continues to be distributed to all households in the parish, free of charge. This helps to maintain links between the church family and those who have not yet felt the need to take part in what we do.

During the year £2,500 was raised for the Christian Aid famine appeal. The church family has supported many other mission and charitable societies, amounting to £9,300, including the Bible Society, Mission to Seafarers, NNN Churches Homeless mission, Chichester Diocesan Family Support Work, the Children's Society, Combat Stress, Macmillan Nurses, Alzheimer's Society and the Chichester Mayoral Fund for their chosen charities.

Financial Review

Incoming and outgoing resources

The total receipts on general unrestricted funds received were £109,025 and are detailed in the Financial Report.

The planned giving through envelopes and banker's orders increased by 8% and it was good to see the use of Gift Aid through the Parish Giving Scheme. Our total voluntary income including tax recovered, but excluding legacies increased by 3%.

The PCC was grateful to receive a legacy of £10,000 from the estate of Sir Humphrey Weldon. Sir Humphrey always gave much support and encouragement to the mission of the church and his wit and enthusiasm will be sadly missed. The legacy will be used to place a memorial to his commitment to the life of the church community on the wall of the church, with the remainder being allocated to repairs to the South window.

The PCC was grateful for various smaller donations to the Fabric Fund, amounting in total to £15,800. These will be allocated to the important repairs to the South window, as mentioned above. The window has been letting in water during poor weather and the PCC is very grateful that the repairs can be commenced in the Spring of 2020.

Sharing the ministry costs of the Diocese of Chichester

The largest expenditure of the PCC was the sum of £71,883 paid to the diocese for our share of all churches' Parish Ministry Costs. This year the contribution from St Jude's increased by 1.3% on the previous year and the church is meeting 100% of the costs allocated to this church compared with 89% paid last year.

The total relates directly to the housing, support, stipend and pension costs of the clergy of this parish, training of new ordinands, a contribution to national church funds and, shared costs of the Christian family throughout the whole diocese, including assistance towards the upkeep of churches less able to manage than ourselves.

Staff costs

The PCC pays for a Verger who opens and makes ready the building for community activities, a gardener who keeps the environs of the church welcoming, colourful and tidy and, 2 organists.

Further details are provided in the notes to the accounts.

Trustee payments and expenses

The PCC also supported the clergy by paying Council Tax of £2,200, Water and environmental charges amounting to £650 for the Vicarage plus other annual costs towards travel, hospitality, telephone, postage and broadband amounting to a little over £2,600.

Miss J. Joshua, who is also a trustee, received £4,000 for her duties as parish Organist.

Reverend PQRS, as a trustee, received refund of expenses amounting to £446, broken down between travel £271; hospitality £101; postage and stationery £75. Two other trustees received £894 for telephone and travelling bills.

There were no payments to persons related to or connected to, the trustees.

Office costs

The PCC also approved the purchase of a new photocopier, costing £1,620, replacing the old one which was breaking down and failing to perform in the way that it used to, beginning to use too much toner and failing to feed the paper properly. It is expected that the new lease will reduce operating expenditure by £304 per year.

Repairs to the fabric of the church building

The condition of the nave roof continues to be a cause for concern and a detailed report on its condition will be prepared by the architect at the next routine inspection in April 2020. It is anticipated that, although routine repairs have been carried out regularly, there will be a need for major structural renewal. The PCC has begun by designating £20,000 from general income in the hope that an urgent appeal can be avoided.

During 2019, general funds amounting to £20,000 were set aside in a designated fund to accumulate sufficient money to pay for the impending cost of repairs to the nave roof, expected to begin late 2019 or early 2020. At the end of 2019 the total in this fund amounted to £xxxxxxx. In addition to this reserve, the restricted fabric fund amounting to £87,050 is retained towards those costs as well. We expect to set aside further sums in the coming months, to provide for well over £120,000 for this major cost.

“I’ve been coming to this church for 40 years and am so glad to hear that the repairs are being done. It’s such a lovely building...”

Bob R

During 2019, general funds amounting to £20,000 were set aside in a designated fund to begin accumulating money for the planned re-ordering mentioned earlier in this report. We intend to begin specific re-ordering appeals to raise further funds in 2020.

Why we hold some money in reserve

It is PCC policy to maintain a balance on the general unrestricted funds (excluding property) which equates to approximately two months’ worth of unrestricted payments as contingency against unforeseen situations. The closing balance of £15,150 this year did not achieve this, although we still expect to have sufficient cash flow to continue to pay bills when they fall due.

It is PCC policy to invest temporarily surplus general funds with the CBF Church of England deposit fund, returning proportionately these funds to our current account, as they are needed, to pay day-to-day bills. This year £14,750 was invested temporarily at 31st December.

It is PCC policy to designate the net income from the church boxes and wall safe, which can be largely attributed to visitors to the church, for fabric repairs, including those identified in the Quinquennial Inspection.

As well as holding the above general reserves, from time to time the PCC receives restricted legacies for expenditure on restricted purposes, defined by the donor. We aim to expend such money as soon as possible after receiving the legacy, depending on the specific objectives of the donor. The legacy of £10,000 from Sir Humphrey Weldon falls into this category. Where we have identified that the specific purpose can only be achieved by delaying the expenditure, we invest the legacy temporarily until such time as the need for expenditure is identified.

Structure, governance and management of the charity

The Parochial Church Council (PCC) is registered with the Charity Commission as required by the Charities Act 2011. Its governing document is the Parochial Church Councils (Powers) Measure 1956.

OR

The PCC is a charity, but is excepted from registering with the Charity Commission within the meaning of the section 30 of the Charities Act 2011. Its governing document is the Parochial Church Councils (Powers) Measure 1956.

During the year the following served as members of the Parochial Church Council:

Ex Officio members

Incumbent:	The Revd Obadiah Slope	Chairman
Curate:	The Revd Deborah Judge	
Reader:	Mr Adam Agrippa	
Wardens:	Mrs Bathsheba Babylon	
	Mr Caleb Cornelius	Vice Chairman

Elected Members

Miss Gomer Goliath	(From xxx 2014)
Miss Hannah Hosea	Treasurer
Mr Ishmael Isaiah	
Miss Jemima Joshua	
Mrs Kesia Korah	
Miss Leah Lot	(Until xxx 2014)

Deanery Synod

Mr David Dathan	
Mr Eli Emmaus	Secretary
Mr Felix Festus	

Membership of the PCC is determined under the Church Representation Rules and consists of certain ex-officio members (the incumbent/priest-in-charge, curate, lay readers licensed to officiate in the church), the churchwardens and members of the Deanery, Diocesan or General Synods and xx members of the church who are elected at the Annual Parochial Church Meeting (APCM). Members are warmly encouraged to stand for election to the PCC and we try to ensure a balance of skills and experience where possible.

This Trustees' Annual Report was **approved** by the PCC and signed on their behalf by The Revd. Obadiah Slope, PCC Chairman

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Date.....

Key Aspects of the Annual Financial Report

Financial Statements prepared in the accruals format are **mandatory** if the PCC's total income for the year is **£250,000 or more**. The threshold is mandated by the Charities Act 2011 and the layout is prescribed by Charities Statement of Recommended Practice (SORP 2015).

If the PCC income is **less than £250,000 you can still use accruals presentation**, but if you do so, you **cannot use your own layout**; compliance with the SORP 2015 is then still mandatory.

An Independent Examiner should refuse to examine accruals accounts which have not followed SORP 2015.

Where the PCC is not yet registered with the Charity Commission, or even if registered, up to an income of under £250,000, it can still resolve to use Receipts and Payments presentation.

Overview

To standardise the presentation of financial information, a special committee, composed of finance professionals and professors, discusses presentation of reporting information with various national and international bodies and, then issues a Statement of Recommended Practice or, SORP. Standardisation is intended to achieve the following objectives:

- improve the quality of financial reporting by charities
- enhance the relevance, comparability and clarity of the information presented in the accounts
- provide clarification, explanation and interpretation of accounting standards and their application to charities and to sector specific transactions; and
- assist those who are responsible for the preparation of the trustees' annual report and accounts.

Church legislation requires that the regulations laid down by the Charity Commission and SORP should be followed.

Materiality

A concept which may be unknown to some of us, is known in accounting standards circles as 'materiality'. An item in your financial report is 'material' if *its omission or misstatement could, individually or collectively, influence the economic decisions of users*.

Materiality depends on the size and nature of the omissions or misstatements of items, or a combination of both.

Immaterial information should be excluded to avoid clutter that impairs the ability to understand other information provided. Always use rounded sums – the pence are 'not material'.

Materiality has both qualitative as well as quantitative aspects and, as such, is not just numerical or mathematical.

This is **not** the same as **material significance**, discussed in the section on Independent Examination.

If you are in doubt as to an item's materiality, please contact John Kemp at Church House, for further help.

Lawfully Managing and Reporting Your Funds

A PCC **cannot lawfully** de-restrict endowed or restricted donations. Neither can a PCC restrict previously unrestricted funds. In all cases **the Law protects the donor's wishes**. Where the donor's wishes are properly recorded and reasonably clear in their use of the English language, the Law expects that PCC members will apply the donor's money towards the objects specified, and **for no other purpose**. In areas of uncertainty, the Diocesan Registrar may be able to give a legal opinion as to the disposition of the funds.

One of the key features of financial reporting for the PCC is that of fund accounting. In **all** cases it is the **donors' wishes** that the PCC has to respect, rather than any concerns of its own.

The accounting record should be able to distinguish the various funds held by the PCC. There are three types of fund specified in the Charity Commission's regulations and which need to be identified clearly in the Annual Financial Report.

It should be remembered that all members of the PCC are the Trustees of all the money under their control, and all should be aware of the differences in funds and their purpose. The funds types are:

- **Unrestricted Fund.** These are monies which are under the control of the PCC and which can be spent on any charitable purpose within the objects of a PCC. This covers items such as income from collections, or payment of expenses, regular running costs etc. Funds may be set aside out of the general fund for a specific purpose, such as the replacement of vestments or service books, and this would then be known as a ***designated fund***. However, this would not prevent the PCC from subsequently reallocating these sums for other uses or returning them to general.
- **Restricted Fund.** This is money which is given by donors to the Church or PCC for a specific purpose and can only be used for this purpose. That purpose should be fulfilled as quickly as possible and the funds should not be invested for any longer period than is necessary.
- **Endowment Fund.** This is a fund of money which has come to the church or PCC with the specific instruction that only the dividend or interest generated by the money can be spent in specific ways. For example, the proceeds of a legacy which specifies that the original sum is to be invested and income used to endow funds for the repair of the church or, for giving money to 'the poor'. The PCC especially would be failing in its duty to beneficiaries if it did not attempt to identify 'the poor' and attempt to use the endowed income to provide help. Endowed income is disclosed in the accounts as restricted income (not endowed income).

Formatting your annual Financial Report: Receipts and Payments OR Accruals?

What's the difference?

Receipts and Payments Accounts are a reflection of money flows in and out of the bank account. When preparing R&P accounts, therefore, the non-bank items only reflect in the Statement of Assets and Liabilities (SAL) and the Notes to the Accounts.

For example, interest accumulating in a savings account never appears on a bank current account statement. The year-end balance is reflected in the Assets section of the SAL. Notes to the Accounts should detail the name of the savings account, the interest earned and the year-end balance.

Full accruals accounts, however, will reflect the non-bank transactions in the double-entry.

For example, the interest on a savings account will be credited to Investment Income in the Statement of Financial Activities and the year-end balance will appear on the Balance Sheet. Notes to the Accounts should detail the name of the savings account, the interest earned and the year-end balance.

Please be aware: if you produce any form of accruals accounts you must use the Charities Act 2011 Charities SORP 2015. If you are using your own format of accruals accounts your Independent Examiner should refuse to examine the accounts.

Discuss this with John Kemp before going down this route, as it requires any Treasurer to have considerable knowledge, experience and expertise, in accounting and reporting.

PCCs wishing to revert to Receipts and Payments from Accruals can do so, provided income is less than £250,000, even if the church is registered with the Charity Commission. Please ask John Kemp for assistance if needed.

It is a collective PCC decision as to which form of reporting is prepared. The Treasurer DOES NOT have the final say and, should be guided by the decision of the whole PCC.

We will now discuss the format of the Annual Financial Report. The wording and layout is more formulaic and, the template should be followed wherever possible. It is mandatory if you are presenting accruals accounts.

Introduction to the Presentation of the Annual Financial Report (AFR)

The AFRs of a PCC under the **accruals basis**, comprise the following:

- A statement of financial activities (SoFA) which provides an analysis of a charity's income and expenditure and movement in funds in the reporting period
- A balance sheet which sets out a charity's assets and liabilities and retained funds at its reporting date
- Notes to the accounts that explain the accounting policies, provide more detail of how the income and expenditure is made up, and provide extra information about assets and liabilities, or about particular funds or transactions.

The AFRs of a PCC under the **Receipts and Payments (R&P) basis**, comprise the following:

- A statement of Receipts & Payments which provides an analysis of a charity's income and expenditure and the bank balance(s) at the end of the reporting period
- A Statement of Assets & Liabilities (SAL) which sets out a charity's assets and liabilities, but NOT the retained funds, at its reporting date
- Notes to the accounts that explain some of the accounting policies, provide more detail of how the income and expenditure is made up, and provide extra information about assets and liabilities, or about particular funds or transactions.

Points and tips to note:

- Use the headings from the Summary page of the template and no others
- Separate income and expenditure for different funds into columns:
 - Unrestricted (including designated)
 - Restricted (this includes endowed income and expenditure)
 - Only use an endowed column if you realise the capital to spend it as income
- Show a total column for all funds
- Show last year's total figures
- Show the breakdown of incoming and outgoing activities in the Notes
- Show the breakdown of last year's comparative figures in the Notes (accruals accounts only).

The Statement of Financial Activities (or, the R&P summary statement)

Recognition of income, endowments and legacies – *general principles*

Income should be recognised in the SOFA when there is:

- evidence of entitlement
- receipt is probable (more likely than not)
- the value can be measured reliably (including estimation).

Income from donations and legacies (excluding donated goods for re-sale)

General donations should be recognised when received

Recognition of legacies as income:

For accounting purposes, evidence of **entitlement** to a legacy exists when the charity has sufficient evidence that a gift has been left to them and the executor is satisfied that the amount in question will not be required to satisfy claims in the estate.

Of itself, establishing entitlement is insufficient to recognise legacy income. The recognition of the gift is also affected by the probability of receipt and the ability to estimate with sufficient accuracy the amount receivable.

Receipt of a legacy must be recognised when it is probable that it will be received.

Receipt is normally probable when:

- there has been grant of probate
- the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and
- any conditions attached to the legacy are either within the control of the charity or have been met.

Income from charitable activities (under contractual arrangements)

Fundraising in this section only includes income from charitable activities under contractual arrangements, such as provision of weddings and funerals, and sales of donated goods whether for profit or at a loss, **as a primary objective**. It also includes performance-related grants which fund particular objects (e.g. provision of care).

Recognition of wedding and funeral fees

HM revenue and Customs recognise assigned fees of the established church as primary purpose trading income, which should be included here. Include the income in the year that the wedding or funeral takes place (R&P – when the money is banked).

Some PCCs have to rely on Incumbents handling the cheques and the receipt of income may be delayed, thereby. This should not prevent recognition in the correct year in accruals accounts.

The correct return of assigned fees should be made to the Diocese at the end of the Quarter in which the wedding or funeral takes place and, the proportion due to the Diocese sent by cheque or BACS.

The **Diocesan proportion** of assigned fees should not appear in income, nor expenditure. Only the net amount due to the PCC should appear in the accounts. The Diocesan proportion should appear as a creditor, however.

Where income is received before the year end for an event that will take place after the year end, the income should be carried forward to the next financial year in creditors, as deferred income.

Income from other trading activities

Fundraising in this section encompasses all other trading income. Income from activities ancillary to the primary purpose activities above includes:

- income received in exchange for **supplying goods and services** in order to raise funds for the PCC, including income from re-selling donated jumble/goods, music concerts with an entrance fee, etc
- Income from **magazine or bookstall sales**
- Income from **selling advertising space** in the parish magazine
- Income from **temporary letting, sub-letting or licensing** of all or part of the church hall (but not as an investment)

Where income is received before the year end for an event that will take place after the year end, the income should be carried forward to the next financial year in creditors, as deferred income.

Investment income

Investment income is defined as **income from holding assets for investment purposes**, including dividends, interest, and rents from more permanent letting of a whole building.

Other Receipts

Gains on disposal of fixed assets not originally held as investments

Where a change of direction or other major circumstance forces the sale of fixed assets that were not intended to have been sold, the gain or loss on disposal should appear under this heading (R&P – the sale proceeds should appear here) and further details in a subsequent note.

Endowment funds converted into income

Where application is made to the Diocese and, for amounts of £10,000 or more, the Charity Commission, the amount of endowment capital to be applied as if it is income is to be disclosed here, with a note on what has been done and how it is intended the money will be spent.

Other (materially significant) income

Any materially large or significant income, which may otherwise have been classified in any of the forgoing headings, requiring separate disclosure (with notes).

Recognition of expenditure - general principles

Expenditure should be recognised in the SOFA as incurred even if not yet paid for, whether invoiced or estimated; and should be categorised appropriately into similar headings as the related income streams, so that the costs of generating the income can be seen.

Expenditure should be recognised in the SOFA when there is:

- evidence of entitlement
- payment is probable (more likely than not)
- the value can be measured reliably (including estimation).

Expenditure on raising funds

Expenditure on raising funds includes the cost of staging events to obtain freewill donations, advertising and publicity for the church, its website or its activities.

Where expenditure is paid for before the year end, for an event that will take place after the year end, the expenditure should be carried forward in debtors, as prepaid expenditure.

Expenditure on charitable activities

i. Church activities. Expenditure on charitable activities includes all costs incurred by a PCC in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including mission and evangelism, missional giving, parish share, salaries, wages and honoraria, clergy and staff expenses.

ii. Other church expenses. Costs of services, Church running, utility bills, support and governance costs, and buildings repair and maintenance costs.

Costs of trading activities

Any expenditure incurred to enable the trading income to be earned:

- costs of **supplying goods and services** in order to raise funds for the PCC, music concerts with an entrance fee, etc
- costs of **books** for a bookstall
- costs of the **parish magazine**
- costs of **temporary letting, sub-letting or licensing** of all or part of the church hall (but not as an investment). This may include lighting and heating the Hall, insurance of the Hall, Letting Agent costs and any other costs directly related to the sub-letting of the Hall.

Other expenditure

This section should ONLY include items materially large or significant that they should be disclosed separately. All other items of expenditure should fit into the other categories above.

Gains/(losses) on investment assets

This heading is used to recognise both realised and unrealised gains or losses on investment assets and investment properties, **but not assets for charitable activities**, including any gains or losses on their revaluation in the year.

Transfers between funds

All transfers between funds have to be disclosed here and the net effect on the SOFA should be nil. Transfers from unrestricted to restricted or endowed are not normally lawful, neither should a deficit be allowed to build up on unrestricted funds to be offset by a surplus on the other funds, as the law treats this as unlawful expending of restricted or endowed funds on unrestricted objects.

Other recognised gains/(losses)

This heading recognises the gains and losses on revaluation of assets not expected to be sold, but held for the purposes of carrying out the PCC's charitable objects, e.g. church halls, parish workers' housing, and, possibly, heritage assets (if contributing to knowledge and culture), etc.

Materiality

Identification of all **material items** should also be made in the TAR.

PCCs are advised to **avoid having to explain immaterial items**. Include them within other sub-categories wherever possible. An excess of detail can cloud the overall impression presented by the published reports.

Reconciliation of funds

The Charities SORP requires that the opening and closing balances of each class of fund be shown together with the net movement, and that the closing balances be the same as those on the Balance Sheet. This is not a mandatory requirement for R&P, though many PCCs like to know the movement on their funds nevertheless.

Disclosure of trustee and staff remuneration, expenses and transactions between related parties

PCC members should expect to see a tightening of the rules of disclosure regarding these particular categories. Government and the Charity Commission are concerned about the existence of payments to persons connected to the charity or to its trustees, to the detriment of the voluntary sector's reputation and the benevolence of donors.

A number of high-profile charities have been in the news for making payments to their trustees or staff, without making full disclosure of the terms of remuneration packages under which they are given the right to receive large sums taken from donated funds. Sometimes only the recipient authorised the payment to themselves or, the other trustees only confirmed the action without any proper discussion.

As it is not the size of a charity which is the deciding factor, there follows examples which could land PCCs in hot water, including:

- Payments of lump-sum allowances for 'expenses' without first being presented with actual invoices or receipts attached to proper expenses claims for actual expenditure already paid by the claimant;
payments of round-sum or lump-sum allowances could be regarded by HMRC as remuneration for tax purposes
- Payments to someone whom tax law regards as an employee, without applying proper Pay As You Earn procedures;
- Payments to a PCC member via a relative or other connected person;
- Tacitly approving unlawful payments, without properly discussing and minuting of that approval.

PCCs should be in no doubt that similar expenditure as to that listed above should be disclosed in the notes to the PCC's Financial Report. **Failure to make full disclosure** could be viewed as deliberate misrepresentation, if ever the events are reviewed at a later date. Complicity of others in a deceitful act is regarded as unlawful, as the act itself.

To not make full disclosure may cause a person or organisation to take an economic decision which, if the above had been known, may have caused a different action and, invites disapproval of Government, the Charity Commission and HM Revenue and Customs, with the possibility of disqualification from standing as a PCC member.

The SORP first discusses the disclosure and then lays down what should be disclosed, as follows:

Trustee and staff expenses

Trustees may incur costs in fulfilling their duties, for example in travelling to meetings or visiting charity facilities or activities to understand or monitor what is taking place.

The reimbursement of properly incurred actual expenses is not considered a payment for the remuneration of a trustee, nor does it count as any kind of personal benefit.

Trustee expenses include the reimbursement by a charity of costs incurred by its trustees in carrying out their duties and similar payments made by a charity direct to third parties on their behalf. For example, a charity may purchase travel tickets or pay for office supplies used by its trustees when carrying out their duties.

The SORP requires that all charities must disclose either:

- that no trustee expenses have been incurred; or
- that one or more of the trustees has claimed expenses or had their expenses met by the charity.

If expenses have been incurred, the SORP also requires that charities must disclose:

- the **total amount of expenses reimbursed** to trustees as a group or, paid directly to third parties
- the **nature of those expenses** (general description such as travel, subsistence, accommodation, entertainment, postage, stationery, photocopying, etc.); and
- the **number** of trustees reimbursed for expenses or who had expenses paid by the charity.

Note that an individual's expenses claims are not required to be disclosed unless significantly material to the understanding of the financial results.

Disclosure of staff costs and employee benefits

Remuneration can be paid to a minority of PCC members, although other people may be paid remuneration and benefits by a PCC.

Payments of invoices for trustees who provide work or services in a professional capacity, e.g. a builder or an accountant, are not remuneration as a trustee. In those cases, there must be a written agreement and other legal safeguards. Please contact John Kemp for further details.

We have confirmed that payment of an Incumbent's Council Tax and Water Charges presently are not to be regarded as remuneration, although should be disclosed in the accounts.

Disclose details of **total staff costs and employee benefits** for the reporting period, analysed between:

- wages and salaries
- social security costs
- employer's contribution to defined contribution pension schemes
- other forms of employee benefits, such as free or reduced rent accommodation.

- a) In addition, for any **redundancy or termination payments** relating to the reporting period, charities must state:
- the total amount for the reporting period
 - the nature of the payment
 - its accounting policy; and
 - the extent of funding of the payment at the reporting (balance sheet) date.
- c) The information provided for staff costs and employee benefits must also include any expenditure on staff working for the charity whose contracts are with and are **paid by a related party**.
- d) The SORP requires that all charities using **accruals presentation** must disclose the **average head count** (number of staff employed) during the reporting period. Charities may also provide details of the average number of full-time and part-time staff for the reporting period together with an estimate of the equivalent number of full-time staff. Further analysis of staffing according to the number of staff engaged in particular activities of the charity may also be provided where this information helps the user of the accounts understand how staff are deployed.

- e) The SORP also requires that all charities using **accruals presentation** must disclose:
- the fact that there are no employees who received employee benefits excluding employer pension costs) of more than £60,000 (£70,000); or
 - the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of £10,000 (£10,000) from £60,000 (£70,000) upwards.

Disclosure of transactions with related parties

A decision by a charity to enter into any transaction must be made in the charity's own interests and for the benefit of its beneficiaries. The disclosure of related party transactions is an important element of transparency in financial reporting because:

- related parties may enter into transactions that unrelated parties would not
- transactions between related parties may not be made at the same amounts or on the same terms as those between unrelated parties; and
- the existence of the relationship may be sufficient to affect the transactions of the charity with other parties.

Users of the AFR need to be able to assess whether the relationship between the charity and the other party or parties to a transaction may have been influenced by interests other than those of the charity. Disclosing related party transactions also shows how far, if at all, the reported financial position and activities may have been affected by such transactions.

Related parties include (this list is not exhaustive):

- a charity's trustees or custodian trustees
- close family members and those entities which they control or in which they have a significant interest
- a donor of any land to the charity
- an officer, agent or member of the key management personnel of the charity
- a person who has significant influence over the reporting charity
- subsidiary, joint venture or associate of the charity.

SORP Appendix 1, 'Glossary of terms' (as recently amended) provides a full definition of persons or entities that must be regarded as a related party for disclosure purposes. For a copy, please email John Kemp.

In considering a possible related party relationship, a charity must assess the substance of the relationship and not merely its legal form. For example, if a person has significant influence over a charity's decision-making or if a charity acts on their instructions, then that person must be treated as related to the charity, even if not on the PCC.

This SORP requires all transactions between a charity and a related party must be disclosed subject to the exemptions set out in the following paragraphs.

Transactions with related parties that do not require disclosure

The following transactions involving trustees or other related parties need not be disclosed unless there is evidence to indicate that they have influenced the charity's activities or use of resources:

- Donations to the reporting charity from a trustee or a related party provided the donor has not attached conditions which would, or might, require the charity to alter significantly the nature of its existing activities if it were to accept the donation. Examples of conditions that make the donation a transaction that must be disclosed include: requiring the charity to purchase goods or services from a specified supplier; making an interest-bearing loan to the charity; or requiring that payments be made to a specified third party. However charities must provide an aggregate disclosure of the total amount of donations received without conditions

- Services provided on a voluntary basis to a charity as an unpaid general volunteer by a trustee or other related party
- Contracts of employment between the charity and its employees (except where the employee is a trustee or other related party)
- The purchase from the charity by a trustee, or other related party, of minor articles which are offered for sale on the same terms as they are offered to the general public, for example a small purchase made from a charity shop
- The provision of services to a trustee or other related party where the services are received on the same terms as they are received by other beneficiaries of the charity. Examples include the use of a village hall by members of its committee of management as inhabitants of the area of benefit
- The payment or reimbursement of out-of-pocket expenses where the trustee acts as agent for the charity (but certain details of those trustee expenses must be disclosed – see ‘Disclosure of trustees expenses’)
- The amount of any expenses waived by a trustee need not be disclosed unless the amount is material in the context of a charity’s total expenditure.

Disclosure of related party transactions

If there have been no related party transactions in the reporting period that require disclosure, the SORP requires that this fact must be stated, and all charities that have one or more related party transactions must disclose:

- the description of a relationship between the parties (including the interest of the related party or parties in the transaction)
- a description of the transaction(s)
- the amounts involved
- outstanding balances with related parties at the reporting date and any provisions for doubtful debts
- any amounts written off from such balances during the reporting period
- the terms and conditions, including any security and the nature of the consideration to be provided in settlement
- details of any guarantees given or received
- any other elements of the transactions which are necessary for the understanding of the accounts; and
- the SORP requires the disclosure of the name(s) of the transacting related party or parties.

The reporting charity **must not** state that related party transactions were made at open market value or on terms equivalent to those that prevail in arm’s length transactions **unless** such terms can be substantiated.

The required disclosure may be given in total for similar transactions and type of related party **except** where disclosure of an individual transaction or connected transactions:

- is necessary for an understanding of the impact of the transactions on the accounts of the charity; or
- is required by law.

For further help on the background and disclosure of such expenditure, reference could be made also, to the section below on Reporting Serious Incidents to the Charity Commission, or please contact John Kemp.

Disclosure of audit, independent examination and other financial service fees

The SORP requires that charities must disclose in the notes to the accounts the amounts payable to their auditor or independent examiner, analysed between fees payable for:

- statutory audit or independent examination
- assurance services other than audit or independent examination
- tax advisory services; and
- other financial services, for example consultancy, financial advice or accounting services.

The Balance Sheet (or, for R&P, the Statement of Assets and Liabilities)

Points and tips to note:

- Make sure you use a summary balance sheet, or Statement of Assets and Liabilities, as in the template
- Fixed Assets should be divided into:
 - Tangible (and possibly, Intangible)
 - Heritage (unlikely to be used)
 - Endowed Investments
- Give totals only – give detail in the notes
- Make sure you include trust funds held on your behalf by the Diocese
- Funds should be classified as **unrestricted, restricted or endowment**, then listed under those headings by their well-known names (such as ‘Organ Fund’, ‘Fabric Fund’)
- The financial report should be signed and dated at the foot of the balance sheet or, R&P – the Statement of Assets and Liabilities.

Land and buildings

Land and buildings should be carried in the balance sheet at cost, less depreciation. Depreciation should be calculated on the cost less residual value of the assets. Where no depreciation is chargeable in a particular year, perhaps because of high residual values, the trustees should conduct an ‘impairment review’, saying so in the notes to the accounts.

Land and buildings *can* be revalued to market value, but there has to be a policy of arranging for professional valuations at least every 5 years. Revalued assets should be subject to depreciation and/or impairment reviews.

Some PCCs are disclosing revaluations as Designated funds, but the SORP requires that the value above cost should be carried in a Revaluation Reserve.

Land and Buildings **do not** need to be shown at a value above historic cost. The purpose of a PCC is to carry out its functions and activities for the charitable benefit of its parishioners. Thus, a Balance Sheet is not presented to show the PCC’s total net worth, as if the PCC is a business.

Where a fixed asset is held at cost a note may be made to the effect that **“No depreciation is provided on freehold buildings as the useful economic life of these assets exceeds 50 years and residual values so high that potential depreciation would be immaterial. It is the PCC’s policy to maintain these assets in a continual state of sound repair. Resulting from regular impairment reviews, provision will be made if there has been any permanent diminution in value”**

One or more of the PCC’s buildings may be held as Fixed Asset Investments, to rent out or, for eventual sale. Only if a building is about to be sold for some reason, should it be shown as a current asset, at its net realisable value of sale proceeds less professional fees, (estimated if necessary). For further help, please contact John Kemp.

Associated charities

A reporting charity exercises significant influence over an associate if it actively influences the associate's policy decisions so as to benefit. When the associate is another charity, the reporting charity might exercise influence over the associate to ensure that its activities or objectives contribute to its own.

A charity is presumed to have an interest in an associate if, as the reporting charity, it holds directly or indirectly 20 per cent or more of the voting power of the associate – unless it can be clearly demonstrated that significant influence does not exist.

Investments

Endowed investments cannot normally be sold, so the PCC can disclose them in the Balance Sheet at their originally donated value, not forgetting to include investments held by the Diocese as Custodian Trustees.

The PCC may hold funds that it has invested temporarily, pending future expending according to the donor's wishes. All investments held for later realisation should be shown at current market value within the Debtors heading; again, not forgetting to include any investments held by the Diocese as Custodian Trustees.

Each year the Diocese provides PCCs, around the end of January, valuations of investments it holds as Custodian.

Debtors (amounts owed to the PCC)

To make the accounting adjustment for amounts owed TO the PCC at the year end, for **R&P basis** as well as **accruals basis**, include the outstanding amount in debtors (**both bases**) and, include in income (**accruals basis**), as follows:

- **Gift Aid claims** made online arrive fairly quickly, but usually there will be an outstanding refund of tax at each year end.

The value of any outstanding amount should be known accurately from the Gift Aid claims subsequently made and, received after the financial year end; otherwise if the exact amount is not known it can be estimated based on known regular incoming amounts plus known one-off declarations received by 31st December. Include the claim in debtors (**both bases**) and, in income (**accruals basis**).

- **Legacies** notified to the PCC by a deceased person's professional advisors, must be included in debtors when:
 - it is probable it will be received
 - probate has been granted
 - the executors have established that there are sufficient net assets to pay it
 - any other conditions attached to the legacy have been met.

Then the amount of the legacy can be included in full in debtors (**both bases**) and, income (**accruals basis**).

- **Investment income**, including interest or dividends, often is notified at regular intervals during a financial year. It must be recognised in the Financial Report when:

- Its future receipt is probable; and
- The amount to be received can be measured reliably.

Often dividends arrive quarterly or half-yearly. Based on what's been received after the year end or, estimated based on what's been received before, a debtor (accrued income) can be included for **both bases**, and included in income (**accruals basis only**).

- **Settlement of insurance claims** must be reflected in the Financial Report as a debtor (**both bases**) and, in income, (**accruals basis**) when an offer of settlement is received from the insurer.

- **Wedding and funeral fees** earned, when the wedding or funeral has taken place, **even if the fees have not yet been received**, should be included in debtors (**both bases**) and income (**accruals basis**).

Creditors (amounts owed by the PCC)

To make the accounting adjustment for amounts owed BY the PCC, for **R&P** as well as **accruals basis**, include the outstanding amount in creditors (**both bases**) and, include in expenditure (**accruals basis**), as follows:

- **Unpaid utilities.** Many Treasurers are unaware that it is perfectly acceptable to estimate liabilities; especially where there is insufficient detail to be more accurate. In the case of utilities, the invoice may arrive in January, charging the PCC for electricity to mid-December. There would be two parts to the liability:
 - the invoice in January; and
 - an estimate of the usage between mid-December and the end of the month.

In another case the invoice may arrive at the end of January, covering the usage to mid-January. The liability should be a proportion of the invoiced amount covering the period from mid-October to the end of December.

Include the amount(s) in creditors (**both bases**) and utilities expenditure (**accruals basis**).

- **Archdeacon's Loan(s)** should be disclosed under creditors, detailing:
 - The amount of the Loan
 - The monthly and/or annual repayments being made
 - The rate of interest payable
 - The amount of interest payments in the year.

The amount of the loan should be split as follows:

- Within one year – the next 12 months' repayments (excluding interest)
- After one year – the remaining outstanding loan (excluding interest).
- **Wedding and funeral fees** are statutory and, held by the PCC as agent for the Diocese. The **agency proportion** of any fees from a wedding or funeral that has taken place, **even if not yet received**, should be shown as a liability of the PCC.

Other expenses of paying for the wedding or funeral should also be reflected in creditors (**both bases**) and, expenditure (**accruals basis**).

Statement of cash flows

Charities preparing their accounts under Charities SORP (FRS 102) currently must provide a statement of cash flows only if their income is **£1Million or more**

The statement of cash flows provides information about the ways in which a charity uses the cash generated by its activities and about changes in cash and cash equivalents held by a charity. It also provides information that is helpful in assessing a charity's liquidity and underlying solvency. 'Liquidity' refers to the ability of a charity to meet its immediate and short-term obligations as they fall due. 'Solvency' refers to the capability of the charity to meet its longer-term obligations as they fall due.

Presently, only one PCC in the Diocese is required to produce a Cash Flow Statement.

Notes to the annual financial report

Below is a full list of the all the notes you might use. You may not need all of them, but those which should always be there are shown in bold italics.

- ***Accounting policies – convention***
- ***Accounting policy – basis***
- Accounting policy – income recognition
- Accounting policy – expenditure recognition
- Accounting policy – property
- Accounting policy – heritage assets
- Accounting policy – investment valuation
- Accounting policy – asset valuation and depreciation method
- ***Funds description - each fund with its name and description***
- ***Breakdown of total income and endowments***
- ***Breakdown of total expenditure***
- ***Disclosure of related parties and transactions with them***
- Staff costs
- Fixed assets belonging to the PCC
- Investments
- ***Debtors***
- ***Creditors and other liabilities***
- ***Analysis of net assets by fund***
- Statement of funds
- Connected organisations, including a full set of Financial Statements of another charity such as a “Friends of Saint Mary’s,”
- Extraordinary items not covered in other notes.

A complete set of accounting policies is given in ‘The Charities Act 2011 and the PCC’ 5th edition.

If you would like help in arriving at a suitable wording for a note covering particular categories of assets or liabilities, please ask John Kemp.

Templates

Included in the pages following, are examples of templates to assist you in presenting your PCC’s financial report and, to help you comply with existing statutory and financial reporting standards. The templates have been re-written, and the financial data merged into the Word document, providing a consistent look and feel.

All templates can be obtained from the diocesan website or, by emailing a request to John Kemp, who will be able to provide further assistance if required.

Where the template suggests you disclose a Charity Number you can:

- Use the number provided by the Charity Commission; or if your church is not yet registered with them,
- Use the official number provided by HM Revenue and Customs when claiming Gift Aid.

Annual Financial Report

of

The Parochial Church Council of the Ecclesiastical Parish of

St Jude's Church, Chicheston

St Jude's Church, Hope Avenue, Chicheston CH1 3CB

Registered Charity no. 123456

For the year ended 31st December 2019

CONTENTS

	<i>Page</i>
Statement of financial activities (or Receipts and payments)	x
Balance sheet (or Assets and liabilities statement)	x
Notes to the accounts	x
Report of the independent examiner	x

Statement of Financial Activities *(accruals presentation)*

	Unrestricted <u>Fund</u>	Restricted <u>Fund/s</u>	Endowed <u>Fund/s</u>	Total Funds <u>2019</u>	<i>Total Funds</i> <u>2018</u>	<i>Notes</i>
	£	£	£	£	£	
Income and endowments from:						
Donations and legacies	232,160	59,750	-	291,910	60,200	
Charitable activities	1,650	-	-	1,650	300	
Other trading activities	37,175	-	-	37,175	12,800	
Investments	4,600	1,250	-	5,850	1,830	
Other receipts	-	-	-	-	-	
Total income	275,585	61,000	-	336,585	75,130	2
Expenditure on:				-		
Raising funds	649	336	-	985	500	
Charitable activities	135,589	56,707	-	192,296	57,900	
Other trading activities	25,905	120	-	26,025	100	
Other expenditure	-	-	-	-	-	
Total expenditure	162,143	57,163	-	219,306	58,500	3
Net gains (or losses) on investments	-	-	-	-	-	8
Net income or (net expenditure)	113,442	3,837	-	117,279	16,630	
Transfers between funds	-	-	-	-	-	10
	113,442	3,837	-	117,279	16,630	
Other recognised gains/(losses):						
Gains/(losses) on revaluation of fixed assets	-	-	-	-	-	11
Other gains/(losses)	-	-	-	-	-	
<i>Reconciliation of funds:</i>						
Net movement in funds	113,442	3,837	-	117,279	16,630	
Total funds brought forward	3,050	14,160	-	17,210	880	
Total funds carried forward	116,492	17,997	-	134,489	17,510	

Balance Sheet *(accruals presentation)*

	Total Funds 2019	<i>Total Funds 2018</i>	<i>Notes</i>
	£	£	
Intangible assets	-	-	
Tangible assets	222,976	170,350	
Heritage assets	-	-	
Endowed investments	14,000	5,315	
Total fixed assets	236,976	175,665	11
Stocks	-	-	
Debtors	11,600	16,825	14
Investments	-	-	
Cash at bank and in hand	32,387	9,522	
Total current assets	43,987	26,347	
Creditors: Amounts falling due within one year	(29,858)	(4,846)	15
Net current assets or (liabilities)	14,129	21,501	
Total assets less current liabilities	251,105	197,166	
Creditors: Amounts falling due after more than one year	(50,625)	(88,775)	16
Provisions for liabilities	-	-	
Total net assets or (liabilities)	200,480	108,391	
The funds of the charity:			
Endowment funds	5,483	5,315	
Restricted income funds	12,634	8,845	
Unrestricted funds	130,652	17,210	
Revaluation reserve	51,711	77,021	
Total unrestricted funds	182,363	94,231	
Total charity funds	200,480	108,391	18

This Financial Report for the year ended 31st December 2019, including the notes following, was approved by the PCC and signed on its behalf by The Revd. Obadiah Slope, PCC Chairman:

.....

Date

Summary of Financial Receipts and Payments

	<i>Unrestricted</i>		<i>Restricted Fund/s</i>	<i>Endowed Fund/s</i>	<i>Total All Funds 2019</i>	<i>Total All Funds 2018</i>	<i>Notes</i>
	<i>General Fund</i>	<i>Designated Funds</i>					
	£	£	£	£	£	£	
Income and endowments from:							
Donations and legacies	61,565	-	5,800	-	67,365	63,468	
Charitable activities	700	-	-	-	700	300	
Other trading activities	8,200	-	-	-	8,200	12,800	
Investments	4,600	250	1,250	-	6,100	1,830	
Other receipts	-	-	-	-	-	-	
Total received	75,065	250	7,050	-	82,365	78,398	3
Expenditure on:							
Cost of raising funds	500	-	-	-	500	150	
Charitable costs	58,885	-	-	-	58,885	58,514	
Trading costs	2,825	-	-	-	2,825	4,614	
Other payments	-	-	-	-	-	-	
Total paid	62,210	-	-	-	62,210	63,278	5
<i>Reconciliation of funds:</i>							
Net income or (net expenditure)	12,855	250	7,050	-	20,155	15,120	
Transfers between funds	(2,000)	2,000	-	-	-	-	
Net movement in funds	10,855	2,250	7,050	-	20,155	15,120	
Bank accounts at 1 January	15,223	1,500	4,277	-	21,000	5,580	
Bank accounts at 31 December	26,078	3,750	11,327	-	41,155	20,700	A&L

Statement of Assets and Liabilities (Receipts & Payments presentation)

Our financial position is as follows:

	<i>Unrestricted</i>		<i>Restricted</i>	<i>Endowed</i>	<i>Total</i>	<i>Total</i>	
	<i>General</i>	<i>Designated</i>					
	<i>Fund</i>	<i>Funds</i>	<i>Fund/s</i>	<i>Fund/s</i>	<i>2019</i>	<i>2018</i>	<i>Notes</i>
	£	£	£	£	£	£	
Assets:							
Bank current account	5,028	-	800	27	5,855	350	
CBF Deposit Fund	21,050	3,750	9,000	1,500	35,300	20,650	
PCC-owned bank balance	26,078	3,750	9,800	1,527	41,155	21,000	R&P
Diocesan Assigned Fees received	196	-	-	-	196	-	
Total bank and deposit accounts	26,274	3,750	9,800	1,527	41,351	21,000	
Wedding fees not yet received	180	-	-	-	180	360	
Local Authority grant for churchyard	-	-	300	-	300	300	
Gift Aid recoverable	2,240	-	-	-	2,240	2,240	8
Debtors	2,420	-	300	-	2,720	2,900	
6000 CBF Investment Fund shares	20,000	-	-	-	20,000	19,250	
Investment assets at market value	20,000	-	-	-	20,000	19,250	
500 CBF Investment Fund shares	-	-	-	5,000	5,000	4,235	
Investment assets at cost	-	-	-	5,000	5,000	4,235	
Freehold, 36 Church Road at cost	59,000	-	-	-	59,000	59,000	9
Total assets	107,694	3,750	10,100	6,527	128,071	102,150	
Liabilities:							
Unpaid Diocesan fees for weddings/funerals	196	-	-	-	196	-	
Organ repaired December 2019	-	6,200	-	-	6,200	-	
Electricity used since last billed (est'd)	400	-	-	-	400	380	
Total liabilities	596	6,200	-	-	6,796	380	

This Financial Report for the year ended 31st December 2019, including the notes following, was approved by the PCC and signed on its behalf by The Revd. Obadiah Slope, PCC Chairman:

.....
 Date

Notes to the Financial Report

1 The financial statements of the PCC have been prepared in accordance with the Charities Act 2011 and current Church Accounting Regulations, using the Receipts and Payments basis.

2 The following assets are recognised but not valued in the Statement of Assets and Liabilities: Movable church furnishings held by the churchwardens on special trust for the PCC, which require a faculty for disposal.

3 Analysis of total received

	Unrestricted		Restricted Fund/s	Endowed Fund/s	Total All Funds 2019	Total All Funds 2018	Notes
	General Fund	Designated Funds					
	£	£	£	£	£	£	
Planned giving (excl. tax refunds)	39,400	-	-	-	39,400	27,200	
Planned giving (no tax refunds)	4,900	-	-	-	4,900	4,900	
Loose cash collections	5,000	-	-	-	5,000	3,400	
Special appeals	250	-	5,800	-	6,050	9,350	
Gift Aid recovered	8,700	-	-	-	8,700	7,050	
Summer fete & Christmas bazaar	565	-	-	-	565	2,468	
Christmas music concert	300	-	-	-	300	800	
Legacies	2,000	-	-	-	2,000	8,300	4
Grants	450	-	-	-	450	-	4
Donations and legacies	61,565	-	5,800	-	67,365	63,468	
Fees for weddings & funerals	700	-	-	-	700	300	
Charitable activities	700	-	-	-	700	300	
Summer fete & Christmas bazaar	565	-	-	-	565	2,468	
Christmas music concert	300	-	-	-	300	800	
Sales of the parish magazine	1,000	-	-	-	1,000	1,005	
Temporary letting of property	3,600	-	-	-	3,600	3,600	
Bible study notes	100	-	-	-	100	95	
Church centre hiring fees	1,850	-	-	-	1,850	3,800	
Magazine advertisement fees	700	-	-	-	700	1,000	
Bookstall sales	85	-	-	-	85	32	
Other trading activities	8,200	-	-	-	8,200	12,800	
Bank & CBF deposit interest	150	250	950	-	1,350	1,100	
CBF investment fund dividend	4,450	-	300	-	4,750	730	
Letting of investment property	-	-	-	-	-	-	
Investments	4,600	250	1,250	-	6,100	1,830	
Other receipts	-	-	-	-	-	-	
Total received on all funds	75,065	250	7,050	-	82,365	78,098	

4 Legacies include a bequest from the estate of the late Sir Humphrey Weldon to be applied for repairs to the South window

Notes to the Financial Report

5 Analysis of total paid

	Unrestricted		Restricted Fund/s	Endowed Fund/s	Total All Funds 2019	Total All Funds 2018	Notes
	General Fund	Designated Funds					
	£	£	£	£	£	£	
Summer fete expenses	300	-	-	-	300	150	
Concert posters & musicians expenses	200	-	-	-	200	-	
Other appeals expenses	-	-	-	-	-	-	
Cost of raising funds	500	-	-	-	500	150	
Charitable grants and donations	2,550	-	-	-	2,550	2,500	6
Parish share to Chichester Diocese	41,500	-	-	-	41,500	39,050	7
Salaries and honoraria incl NI	1,900	-	-	-	1,900	3,766	
Clergy and other people's expenses	2,200	-	-	-	2,200	3,300	
Mission & evangelism costs	1,900	-	-	-	1,900	1,800	
Sunday school/Children's work	220	-	-	-	220	180	
Insurance	1,280	-	-	-	1,280	1,100	
Water, Gas, Electricity, and Oil	2,800	-	-	-	2,800	2,600	
Printing & photocopying	220	-	-	-	220	205	
Other regular church running costs	815	-	-	-	815	715	
Accounting and Examiner's fees	1,300	-	-	-	1,300	1,200	
Church maintenance & redecoration	2,200	-	-	-	2,200	2,098	
New building work	-	-	-	-	-	-	
Charitable costs	58,885	-	-	-	58,885	58,514	
Summer fete expenses	300	-	-	-	300	150	
Concert posters & musicians expenses	200	-	-	-	200	-	
Church hall caretaking & cleaning	1,000	-	-	-	1,000	970	
Hall maintenance & redecoration	-	-	-	-	-	2,400	
Magazine printing	880	-	-	-	880	870	
Bookstall costs	85	-	-	-	85	44	
Other trading costs	360	-	-	-	360	180	
Trading costs	2,825	-	-	-	2,825	4,614	
Other payments							
Total paid on all funds	62,210	-	-	-	62,210	63,278	

6 Charitable grants and donations included £1,200 to CMS and £1,300 to Tear Fund for the Inter Diocesan West Africa Link diocese of Freetown.

7 The Parish share to the Chichester Diocese is for the payment of Clergy and other central costs. The full cost of parish ministry amounts to £71,883.

Notes to the Financial Report

- 8 Gift Aid is recoverable on donations received up to year end, since the last claim was submitted on 15th December, 2019, covering donations to 30th November.
- 9 The freehold property at 36 Church Street was purchased by the PCC in 1984 for £59,000 to be used as curate housing.
- 10 The Restricted fund represents accumulated donations and appeals for the maintenance of the church building and hall.
- 11 Payments to PCC employees:

	2019	2018
	£	£
Wages, salaries and honoraria	5,681	452
Employer National Insurance	219	54
Employer pension contributions	180	-
	5,900	506

- 12 Payments to PCC members:

- Miss J. Joshua received £4,000 for playing the organ
- Mr Ishmael Isaiah received £12,432 for building repairs and redecoration of the Lady Chapel.

Other payments were made to PCC members in the year for reimbursement of expenses incurred on behalf of the PCC

- Clergy support: Council tax £2,200, Environmental charges £650, Travel, hospitality, postage, telephone £2,600
- 2 members received reimbursement for telephone, postage and travelling expenses amounting in total to £4,446.

- 13 Transactions with persons related to PCC members:

A payment of £3,681 was made to a relative of a PCC member for decorating the church.

- 14 Transactions with related charities:

Friends of St Mary's House, The Green, Chicheston is a separate charity, a related party to this PCC. The Revd Obadiah Slope, the Churchwardens and the Treasurer are Trustees of that Charity. During the year £874 was paid by the PCC to St. Jude's House for maintenance of the children's play area; £4,223 was collected by St. Jude's House from PCC members and the congregation of St. Jude's Chicheston as donations to running expenses and for retention in that charity's bank account towards future running costs.

- 15 Statement of funds:

Endowed funds are required by the donors to be invested and the income spent on specific objectives

The Grantly bequest is a permanent endowment, invested in CBF Investment Fund shares, which requires the income to be spent on the churchyard and maintenance of the Grantly tomb.

The Fund B is a permanent endowment which requires the income to be spent on our Sunday school and other educational purposes for children and youth.

Restricted funds are not invested permanently but are to be spent within reasonable timescales

The Fabric fund holds funds raised for the specific purpose of

The Mission Fund holds funds raised for the support of 2 members of the congregation working in Africa.

The Emily Wilson Fund is....

The Mable Parker Fund is.....

Unrestricted funds are not subject to any donor restrictions and can be spent as the PCC decides

The unrestricted fund includes a designated sum £20,000 which has PCC has set aside towards the cost future roof repairs.

The summary of all funds appears on the next page

Notes to the Financial Report

Summary of funds

Fund income and expenditure and final balances are as follows:

	Balances b/fwd 1 Jan 2019	Income	Expenditure	Transfers, other gains and losses	Balances c/fwd 31 Dec 2019
	£	£	£	£	£
Grantly bequest	1,227	215	-	-	1,442
Fund B	5,000	85	-	-	5,085
Total of all endowed funds	6,227	300	-	-	6,527
Fabric fund	1,800	6,000	-	-	7,800
Mission fund	1,250	750	-	-	2,000
Emily Wilson Fund	100	-	-	-	100
Mable Parker Fund	200	-	-	-	200
Total of all restricted funds	3,350	6,750	-	-	10,100
General fund	102,898	-	-	(2,000)	100,898
Designated roof fund	1,750	-	-	2,000	3,750
Total of all unrestricted funds	104,648	-	-	-	104,648
Total funds	£114,225	£7,050	-	-	£121,275

Independent Examiner’s Report to the PCC of St Jude’s Church, Chicheston for the Year Ended 31st December, 2019

This is my report to the Parochial Church Council of the Ecclesiastical Parish (PCC) of St Jude, Chicheston, on the annual report for the year ended 31st December 2019 set out on pages X to Y

**Respective responsibilities
of trustees and examiner**

The PCC members are responsible for the preparation of the annual reports. The PCC members 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:

1. examine the accounts under section 145 of the Charities Act,
2. 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
3. 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 in Section B *)

1. which gives me reasonable cause to believe that in, any material respect, the requirements:
 - a. to keep accounting records in accordance with section 130 of the Charities Act; and
 - b. to prepare accounts which accord with the accounting records and comply with the accounting requirements of the Charities Acthave 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*

Examiner’s signature

.....

Examiner’s name CAPITALS

.....

Date

.....

Examiner’s address

.....

**Relevant professional
qualification(s)**

.....

or body if any

Only complete if the examiner needs to highlight items of material significance,
for example:

- accounting records have not been kept in accordance with s132 of the Charities' Act 2011 and those accounts do not comply with the requirements of the 2008 Regulations setting out the form and content of charity accounts;
- any material expenditure or action which appears not to be in accordance with the trusts of the charity;
- any failure to be provided with information and explanations by any past or present trustee, officer or employee; and
- any material inconsistency between the accounts and the trustees' annual report.

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

PCC Reporting requirements, thresholds and deadlines

Independent examination (or audit) of annual financial accounts

Accounts should be prepared and examined in the appropriate format below:

Gross income less than £250,000	Receipts and Payments Summary and details for each Fund Statement of Assets and Liabilities Notes, in recommended format Independent examiner must 'understand charity accounts' but need not have accountancy qualification.
Gross income £250,000 to less than £1 million	Accruals presentation with full notes in SORP 2015 prescribed layout Independent examiner must be suitably qualified.
Gross income of £1M or more	Accruals presentation with full notes in SORP 2015 prescribed layout Audited by a professional accountant.

Note also:

Gross income £100,000 or more <i>(soon to be reduced to £5,000)</i>	Registration of the PCC with Charity Commission is mandatory .
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Gross income means income from all funds, including restricted money, excluding any deductions.

Charity Commission filing

If the PCC is a registered charity the Annual Return and accounts must be filed with the Charity Commission each year. The first time you do this is 10 months after the year end which falls after 18 months after registration. You will be prompted to do so by the Commission who will use the correspondence email you have supplied (so keep it up to date!). In subsequent years, information must be filed by 10 months after the year end each year (i.e. by **31 October**).

Gift Aid Claims

Claims to HMRC should be prepared regularly and at least once a year. Normal Gift Aid Claims for previous years can cover 4 years, whereas GASDS claims are for two earlier years only. The process requires a record on a spreadsheet, followed by an upload of the spreadsheet to an online web page at <http://www.gov.uk/claim-gift-aid-online>.

Kindly note that the spreadsheet is supplied by HMRC – you cannot use your own edition!

If you still need to sign and send the form (ChR1) by post, you must telephone the Charities Helpline, 0300 123 1073, to obtain the paper claim form, and it can only contain up to 90 entries.

For more information on Gift Aid claims, please contact John Kemp.

Submissions to the Church of England

1. Statistics to the central statistics department at Church House, Westminster

Please make sure that you keep the login details up to date. Insist that your Incumbent provides the Churchwardens with those details and store them in the vestry safe or somewhere equally safe!

PCCs should also complete on-line, the **MISSIONS RETURN** and **FINANCE RETURN**. These provide the central Church of England with statistical analysis. You can access the special website at <http://parishreturns.churchofengland.org>.

Once logged in click the 'Enter Your Data' button to go to your church's page to enter the statistical data. Click 'Next' to go to the next page.

If the computer queries this year's figures when compared with previous years, it is trying to alert you to a possible input error. If you are still happy that your figures are correct, click 'Next' another time and the program will move to the next section.



Please don't leave numeric boxes blank but, always enter a Zero. At the end of the process, Next will take you to a screen to 'Submit' the data to Westminster.

Please help the statisticians by making your input by the deadlines. Stragglers take up too much time chasing up their lack of input and, the statisticians are delayed in producing their reports on the national situation, diocese by diocese, for the whole Church.

2. Submission of annual reports to the Diocese

English Law requires that a full Annual Report consisting of the statutory Trustees' Annual Report, the Annual Financial Report, including Notes to the Accounts, and the Independent Examiners Report, **all signed**, should be sent to Church House within 28 days after the APCM and by 31 May at the latest each year. Documents should be addressed and posted to, or attached and emailed to, John Kemp.

Coming soon - Church Insurance Renewals from 1st January

The Diocese insures vicarages, the PCC insures churches and other building it owns

After consulting with the Church Wardens, the actual amount of the Church insurance premium is notified by EIG to the PCC, who pays the whole premium in monthly instalments by Direct Debit.

Kindly note that notices of renewal of church insurance will arrive before the year end. As the insurance contract is between Ecclesiastical Insurance Group and the PCC, please do not ignore the documentation when it arrives.

Please keep your contact details up to date, to ensure that the insurance documents are sent to the correct person.

Diocesan employees will not be able to answer insurance-related questions. If you have questions regarding insurance cover or direct debits, please telephone: 0345 777 3322.

Summary of Statutory Requirements

Under the Charities Act 2011 PCC Annual Reports comprise:

- **Trustees' Annual Report** (*the PCC may provide the APCM with further reports, not needed for the TAR, regarding the activities of the church during the year*)
- **Annual Financial Report** (*Financial statements and Notes*)
- **Independent Examiner's Report** (*the new layout and wording is provided in the template*)

Please write in your diaries the deadlines listed below:

- **Online Church of England Missions Return – 31st January**
 - **APCM by 30th April**, at which the examined accounts are to be received (*it's the Law!*)
 - **Signed Reports to Church House Hove – 31st May** (*scan and email a pdf or send in the post*)
 - **Online Church of England Finance Return – 31st May**
 - **Online Charity Commission Return – 31st October**
- The Trustees Report, Financial Report and Examiner's Report should be uploaded as well.