

Leaflet F03: Guidelines on Charity Accounts with Income over £250,000

This explanatory document aims to provide guidance to Baptist Church Treasurers about the requirements of the Accounting Regulations made under the Charities Act 2011 as they relate to churches. This document concentrates on the requirements for churches with a gross income of more than £250,000 per annum and incorporates the requirements of the SORP 2021.

F03: Guidelines on Church Accounts with Income over £250,000

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

This document covers the requirements for churches with a gross income of over £250,000 per annum, and incorporates the requirements of the SORP 2021. [Leaflet F02](#) covers the requirements for churches with gross income below £250,000.

Churches with income under £250,000 may choose to follow these guidelines voluntarily but must apply them in their entirety. It is not acceptable to create a hybrid of the two.

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

The Minister(s) and Deacons are the Charity Trustees of the Church (see Leaflet C01). In this document, the word Trustees is used throughout to mean Minister(s) and Deacons as Trustees of the Charity.

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

1 The £250,000 threshold is significant

Where churches that are not companies have a gross income of under £250,000 per annum, they are permitted to prepare simplified accounts on a receipts and payments basis. This is dealt with in a separate leaflet ([F02: Guidelines on Church Accounts with Income under £250,000](#)). Where the gross income exceeds £250,000, or where the church is constituted as a company, or where the church voluntarily chooses not to take advantage of the simplified basis of accounts, they are required to produce accruals accounts in a prescribed format set out in the Statement of Recommended Practice (SORP 2019), in order to comply with the Charities Act. The church must follow one of the two formats in its entirety and cannot create a hybrid of the two methods.

Churches with up to £500,000 gross income will be eligible for SORP reliefs for smaller charities, which includes the opting out of the requirement to produce a cash flow statement.

This document assumes that the church is using the 'full' or FRS102 SORP.

2 The definition of the £250,000 threshold

Gross income means income from all sources (and on all accounts which come under the supervision of the Trustees) arising in the ordinary course of a church's activities including for example; offerings, donations legacies, rents investment income, income tax refunds, fundraising activities etc., including one-off fundraising events.

If a church carries on a regular trade, then gross takings from that trade will also form part of the total gross income. Gains arising from the disposal of assets of any description do not count as income for the purpose of determining where church's gross income is above or below the relevant threshold. Likewise, money and other assets received on trust which require capital to be retained, either in the form of assets for use by the church or in the form of investments producing an income, will not be treated as income for this purpose, although the income on the investments would be part of gross

income. Loans to the church are also disregarded. Funds raised for a new church building or a manse, including donations and proceeds from special efforts as well as funds raised subsequently to repay any loans, will be treated as restricted income/funds and classed as gross income as will repairs appeals.

3 External scrutiny

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

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

If gross income exceeds £25,000 but does not exceed £1,000,000 then the accounts must be subjected to independent scrutiny and this will normally mean examination by an 'independent examiner' (see 9 below). Where the income exceeds £250,000, the Independent Examiner will need appropriate professional qualifications.

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

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

[Leaflet F04](#): Independent Examination of Church Accounts provides more detail on this topic.

4 Distinguishing between different charitable funds

A fundamental requirement when preparing accounts for a church is to distinguish between different types of funds.

1. **Unrestricted Funds.** All churches will receive income which has no specific instructions from the donor about how it can be used. These are treated as Unrestricted (or General) income.
2. **Designated Funds.** Churches may from time to time choose to allocate parts of its unrestricted fund money into funds for specific purposes or to represent financial resources locked up in fixed assets needed for its functioning. These are known as 'designated' funds. They must be accounted for separately, but have the advantage that the trustees can at any time reverse their decision to designate, and return some or all of the balances to the general unrestricted fund.
3. **Restricted Funds.** Churches may however receive other donations where either the terms of the appeal limit the use of the money, ('please give to our building fund'), or the donor restricts the use of the funds, ('please pass on this donation to Home Mission'). These funds are restricted funds, and the Trustees must carry out the wishes of the donor. They must be accounted for separately and the Trustees do not have any discretion to apply the donations to the general purposes of the church. Any interest or other investment income on a restricted fund is to be added to the fund. Significant restricted funds must be separately disclosed in the notes to the accounts.
4. **Endowment Funds.** There are two main types of endowment fund - Permanent and Expendable (sometimes referred to as Term or True Endowments):
 - a. **Permanent Endowment** (or capital funds) is where the fund is given to the charity to be held as capital (frequently linked to a building). The Trustees have no discretionary power to

use the capital of Permanent Endowment funds as income. However, any income from the capital (e.g. interest on deposits, dividends on investments or rental income on a building) can be spent on either general or restricted purposes, depending on the donor's intentions expressed at the time of the gift. Even if a building held as a permanent endowment is sold the proceeds can usually only be used for other buildings in the future. These funds must also be accounted for separately and donations to a fund of this sort do not count towards the threshold of £250,000 identified in section 1 above.

- b. **Expendable Endowment** are funds given to the church to be held as capital but with the Trustees having the discretionary power to convert the capital to income.

Restricted and Endowment funds have implications for the terms of an appeal for funds as oversubscribed restricted or endowment appeals cannot easily be used for something else. Care should be taken over the wording when making appeals for specific purposes and consideration should be given when asking for funds to include a proviso that donations can be used for other purposes with the agreement of the church meeting. It is possible to have both designated and restricted funds for the same purpose (e.g. a building project) to recognise the fact that some funds have a legal restriction over their use and some may not.

Please note that most Baptist Churches are held under trusts containing restrictions that would make the asset a permanent endowment. If this is the case, you will need to have an endowment fund which holds the church building as an asset. Most manses are held on less restrictive trusts which will likely make them unrestricted or designated fund assets. If you are unsure as to the nature of the trusts under which your church property is held then you should contact the Trustees of the property (e.g. the Baptist Union Corporation or other Regional Baptist Trust Company).

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

5 The format of charity annual report

Please note that the Charity Commission recognises the reality that small charities (churches) do not always report like a business. The Charities SORP website (www.charitySORP.org) is a useful source of ideas when developing a report style that is appropriate for your church with the relevant amount of detail required.

Several documents will form part of the charity accounts:

- The Trustee annual report (see [Leaflet F05: Annual Reports](#) for more detailed guidance on this area)
- Independent examiner or auditors report (see [Leaflet F04: Independent Examination](#) for more detailed guidance on independent examination)
- Statement of Financial Activities (SoFA)
- Balance sheet
- Cash flow statement (for larger charities)
- Notes to the accounts

6 The Statement of Financial Activities (SoFA)

This primary statement has been devised to recognise that a charity is not a profit-making venture, and that to measure its effectiveness on the basis of profit or loss is probably meaningless. It is

designed to show in a single statement all the charity's incoming resources, both of income and of capital, all its expenditure and all other movements in its funds.

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

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

The SORP requires that "larger charities" must classify their income and expenditure "by activity". Income must be analysed according to the activity that produced the resources. Expenditure must be analysed by the nature of the activities undertaken. The operation of a church can be thought of as a single integrated activity and it may be felt that analysis should be kept broad and to a minimum. Care is required in implementing this requirement in order that where additional analysis is provided the reader gains a better understanding of the church.

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

- unrestricted funds
- designated funds
- restricted funds
- endowment funds

Where the church has more than one type of funding i.e. restricted, unrestricted, designated or endowments the SoFA needs to be prepared in a column format as set out in the example. Comparative figures also need to be shown for the individual funds, which may be done as a note to the accounts. Designated funds may be shown as a separate column or within the unrestricted funds.

Instead of profit (surplus) or Loss (deficit) the SoFA shows a net income figure.

Income

SORP 2021 requires income to be recognised in the financial statement when receipt is probable, there is evidence of entitlement to the income, and its amount can be measured reliably.

Legacies can be very slow in completing due legal process; even when probate has been granted there may be significant delay and uncertainty as to the amount of the legacy to be received. Each legacy should be looked at on an individual basis and be included in the church's income when

- probate has been granted,
- it is clear that there are sufficient assets in the estate,
- that any conditions are within the church's control, and;
- the amount can be measured reliably.

Gifts in kind, where material, should be included in the SoFA at an estimated value (market value). An equivalent value should then be included under the expenditure heading in the SoFA, except where the gift is a tangible asset (e.g. a building or vehicle). In this case it will need to be treated as an addition to fixed assets. Where a smaller gift is received (e.g. a computer) this may be treated as operational expense, depending upon the church's policy on capitalisation of assets (see section on Tangible Fixed Assets below).

Volunteer time is NOT recognised in the SoFA; however, but churches must include a description of the role played by volunteers and an indication of the nature of their contribution in the notes to the accounts or trustees report.

Expenditure

Expenditure on raising funds will include

- advertising and other expenses in generating funds (including legacies);
- costs of trading (sales) where the primary purpose is income generation e.g. room hire, cost of goods, costs associated with fundraising events, (bouncy castle hire, van hire etc.).
- investment management charges, where a church has a large investment portfolio which is professionally managed.

Please note, fundraising costs should be accounted for separately and NOT netted off against the income raised.

Expenditure on charitable activities covers all expenditure directly related to the objects of the church e.g. Heat, light, organ tuning, salaries, membership fees, stationery, depreciation etc.

Support costs are those which in themselves do not contribute to mission or generate funds but are necessary for those activities to take place. These can include central office functions such as governance, general management, finance, human resources and IT and are not shown separately on the face of the SoFA (and instead must be shown in the notes to the accounts) but are apportioned on any reasonable basis between costs of raising funds and charitable activities and, where the church reports by activity, to each of the church's significant activities.

7 Balance Sheet

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

Tangible Fixed Assets

This heading might include:

- Church buildings and their contents
- Church halls and their contents
- Manse
- Office equipment
- Staff motor vehicles (including those on hire-purchase and loan-assisted purchase)
- Any other long-lasting assets donated to the church for its own use. These are to be included as an incoming resource in the SoFA at their deemed historical cost (which under FRS102 is their "fair value" on the open market as at the date of gift) and, if above the church's capitalization policy* threshold, added to fixed assets and depreciated accordingly like any of the above assets.

(NOTE* Small-value additions/improvements to fixed assets may be treated as expenses if below the Accounting Policy threshold-amount for capitalizing them – e.g., £1,000 per item or set of items is normally used as a single working unit (e.g. a set of networked computers).

Tangible fixed assets must be carried in the balance sheet at either historical cost or fair value on the open market as at the year end. For assets that depreciate in use over time, such as a building (but

not the land if the tenure is freehold) or fixtures, fitting and equipment, the anticipated lifetime depreciation after allowing for its current disposal value must be annualised for charging as an expense in the SoFA – unless both the annual and cumulative provisions would be immaterial, thus justifying a non-depreciation policy. In any case, an annual review for any identifiable impairment of each asset's service potential must be made and any significant reduction of the asset's value in use must be written off in the SoFA as an expense.

Investments

These need to be shown as a separate section within fixed assets and cash held for investment needs to be shown separately. Investments should be adjusted to fair value (market value) at each balance sheet date. Investment property does not need to be valued by an independent valuer and is not depreciated. Where investment property is used for operational use as well as investment this needs to be classified as "mixed use investment property" and will require a fair value to be apportioned between the two activities provided this is available without undue cost.

Grants committed

Where the church is committed to giving a grant to another organisation by communicating it to them and the church has no realistic alternative to settling an obligation resulting from a commitment it has made, then this should be recognized as a liability. However, if the offer of a grant has not been communicated or there are conditions attached to the offer that are within the control of the church, i.e. not legally or constructively obligated – the liability should not be shown on the Balance Sheet. Grant commitments not accrued as a liability should be shown by way of note.

Pension scheme liability

Where a church is an employer in a multi-employer defined benefit scheme such as The Baptist Pension Scheme and where they have agreed a deficit contribution funding plan, this liability is to be recognised on the balance sheet. The value of the liability should be the total all the future contributions to be made, discounted to present value using a discount rate equal to the yield on investment grade corporate bonds. A spreadsheet which can calculate these figures for a church for inclusion in church accounts is available on our website at www.baptist.org.uk/resources/FRS102.

Where the Church has been provided with the cost of buying out the pension scheme's liabilities, it is recommended that this is also disclosed in the notes to the accounts or the trustee report. This figure, described as "Estimated Employer Debt" is available for most ongoing employers in the Baptist Pension Scheme on the Employer Hub (www.4mystaff.co.uk/) under the Monthly Debt Estimate section.

At the end of June 2022 the Baptist Pension Scheme signed an agreement with the insurance company Just Group ('Just') to secure members' pension benefits under the Defined Benefit ('DB') Plan. As a result, the Scheme no longer has a shortfall. A revised statement of contributions was approved with deficit contributions from each participating employer in the DB Plan reducing to just £1 per month from August 2022. See www.baptist.org.uk/pensions for more details. Updated text to reflect this change has been included in the template for accounts below.

Holiday pay

Churches are required to recognise a liability for any outstanding paid annual and sick leave, if material.

8 Cash flow Statement

Charities with income greater than £500,000 are required to prepare a cash flow statement, showing the net increase or decrease in cash in the reporting period.

9 Notes to the Accounts

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

The notes must show: -

- The basis of the preparation of the accounts - Unless the church is a limited company, then this will be that the accounts are prepared in accordance with the Charities Act and the Charity SORP 2021.
- Principal accounting policies.
- The fact of, and reason for, any material departure from the SORP regulations.
- The policy for recognizing each material type of income.
- Analysis of material components of income within each sub-heading in the SoFA.
- The policy for recognising liabilities, and (where applicable) for the allocation of expenditure between activities.
- A brief description of the objectives of each of the funds of the church.
- Analysis of Trustee remuneration by named individual together with legal authority/reason for payment and expenses (number, total amount reimbursed and nature of expenses). If none, then this should be stated.
- Details of staff costs, including any pension schemes to which contributions are made, staff numbers and the aggregate amount paid to key management personnel.
- Total of support costs, include where applicable allocation to activities or material categories of expenditure within support costs.
- Details of audit or independent examination costs plus amounts paid for other services, by type.
- Details of material grants analysed by nature of activity supported and details of support costs allocated to grant making activities.
- Major items in costs of generating funds.
- Major items in the governance of the charity.
- Details of the assets and liabilities representing each fund.
- Details of any loans outstanding.
- Any other relevant details to help the reader to understand the financial affairs of the charity.

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

10 Access to the accounts

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

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

The Charities Act stipulates that the accounts of a Charity are public documents, and even though there is not at present a requirement for the accounts to be filed with the Charity Commission unless

the church is a registered charity, the accounts must be made available to anyone who requests them for no greater charge than the incidental cost of photocopying and or postage.

11 Other matters

The SORP includes requirements for the Trustees to prepare a Reserves policy for the charity, and a Risk Assessment for the charity. Charities are obliged to refer to these policies in their annual report.

12 Example financial statements

The following pages provide a template for financial statements that meets the requirements. You may use this format or create your own. A Microsoft Word version of the [template](#) is available in the resources section of our website.

ANYTOWN BAPTIST CHURCH

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 20xx

	Note	Unrestricted	Designated	Restricted	Endowment	Total Current Year	Total Previous Year
		£	£	£	£	£	£
Income and endowments from							
Donations and legacies	2						
Investment income	3						
Charitable activities							
Other trading activities	4						
Other	5						
Total income							
Expenditure							
Raising Funds	6						
Charitable Activities	7						
Other Expenditure	8						
Total Expenditure	10						
Net income / (expenditure) before Gains and losses on investments							
Net gains/ (losses) on Investments	13						
Net Income / (Expenditure) for the year							
Transfers between funds							
Other recognised gains/(losses)							
Net gains/ (losses) on the revaluation of fixed assets							
Actuarial gains/(losses) on defined benefit pensions schemes	29						
Net Movement in Funds							
Reconciliation of Funds:							
Total Funds brought forward							
Total Funds carried forward							

Comparative figures for each fund are shown in the notes to the accounts

Help in completing the Statement of Financial Activities (SoFA)

Income and Endowments

- *Donations and Legacies: Should include all gifts of a voluntary nature including Free Will Offering and Loose Collection.*
- *Investments: Bank Interest, Dividends, Rents from investment properties e.g. rented out manse.*
- *Charitable Activities: Grants, Fees, Council grant for Youth work etc. Where there are several distinct activities – show sub headings for each (match with Expenditure)*
- *Other trading activities: Fundraising events, Rents - funds received where there is an implied contract i.e. hire of Halls*
- *Other Income: Gain on sale of tangible fixed assets; exceptional items etc.*

Expenditure

- *Raising Funds: Includes direct fundraising costs, investment management fees/professional advice on investments if material.*
- *Charitable Activities: These are the normal charitable activities undertaken and will include Governance costs. Match the sub headings under Income to show the expenditure specific to each activity – this allows the reader to see the surplus/deficit of the activity by comparing specific income with specific expenditure.*
- *Other Expenditure: Use for all other items that are neither related to raising funds or part of its expenditure on charitable activities. It is unlikely this category will be used.*

Net gains / losses on Investments

Changes in value of the assets are to be shown on the SoFA – both realised and unrealised.

Transfers

To be used, for example, when capital funds are released to an income fund e.g. designated for a specific activity or when unrestricted non-earmarked funds are used to subsidise a loss-making activity. All transfers between funds must net to nil.

Net gains / losses on Fixed Assets

If the Church has adopted a policy of carrying fixed assets at valuation, this will reflect any revaluation gains / losses on fixed assets.

Where there is a Pension liability (or gain) relating to a defined benefit pension scheme (employers or staff) this will be shown in this section i.e. below the net Income / Expenditure for the year.

Reconciliation

The financial results for the year are added/deducted from the Reserves carried forward from the previous year trading – the new figure will agree with the Balance Sheet.

ANYTOWN BAPTIST CHURCH

BALANCE SHEET 31 DECEMBER 20xx

	Notes	20xx	20yy
		£	£
Fixed Assets			
Tangible Fixed Assets	16		
Investments	17		
Current Assets			
Stocks	18		
Debtors	19		
Investments	20		
Bank and Cash	21		
Current Liabilities			
Creditors: amounts falling due within one year	22		
Net Current Assets			
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	23		
Net Assets excluding pension liability			
Defined benefit pension scheme			
Asset or liability			
Total net assets or liabilities			
Charity Funds			
Endowment	24		
Restricted	25		
Designated	26		
Unrestricted			
Total unrestricted funds			
Total Charity Funds			

The notes on pages [14-27] form an integral part of these accounts These accounts were approved by the Trustees on [insert date] and signed on their behalf by

A Treasurer

B Deacon

ANYTOWN BAPTIST CHURCH

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 20xx (mandatory for larger charities)

	Notes	20xx		20yy	
		£	£	£	£
Net cash provided by operating Activities	29				
Cash flows from investing Activities					
Dividend and interest from investments					
Proceeds from sale of property					
Purchase of tangible fixed assets					
Proceeds from the sale of investments					
Purchase of investments					
		_____		_____	
Net cash provided by investing activities			_____		_____
Changes in cash and cash equivalents in the year					
Cash and cash equivalents brought forward			_____		_____
Cash and cash equivalents carried forward			_____		_____

Analysis of cash and cash equivalents

	01 January 20xx	Cash Flow	31 December 20xx
	£	£	£
Notice deposits			
Short-term deposits			
	_____	_____	_____
	_____	_____	_____

Statement of cash flows (mandatory for larger charities)

Larger charities (income greater than £500,000) need to prepare a cash flow statement which will explain changes in cash balances during the accounting period. There are 3 mandatory headings:

Operating activities

These are the items making up the Income and Expenditure sections of the SoFA e.g. donations (Freewill offerings), receipts from investments e.g. bank interest. Expenditure will include outgoings such as salary, tax and national insurance paid, stationery etc. Other "cash" movements under this category that can be either income or expenditure will include grants given or received.

Investing activities

Cash movements under this category will include income from church investments e.g. dividends, rental income from investment property. Expenditure may include payments to acquire assets and property management costs for investment properties.

Financing activities

This will include cash movements associated with financing activities e.g. cash received from donations of endowment.

The statement of cash flows includes the movement in cash balances of unrestricted funds and restricted funds including endowment funds.

A reconciliation to show how net income/expenditure presented in the SoFA has been adjusted to arrive at the cash flows from operating activities.

ANYTOWN BAPTIST CHURCH

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 20xx

1 ACCOUNTING POLICIES

a Basis of preparation

The accounts are prepared in accordance with the, Charities Statement of Recommended Practice (Charities SORP 2021), FRS102 and with the Charities Act 2011

.....church is a registered charity, no. _____ and meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognized at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

b Income recognition

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

c Donations

Donations are accounted for gross when received. Fixed asset gifts in kind are recognized when receivable and are included at fair value.

d Legacies

Legacies are accounted for when probate has been completed, the amount of the legacy can be reliably quantified and the conditions of the legacy are within the control of the church.

e Investment Income

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

f Expenditure recognition

All expenditure is accounted for on an accruals basis. Expenditure is recognized where there is a legal or constructive obligation to make payments to third parties, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

g Costs of raising funds

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

h Grants payable

The Church makes grants to other organisations whose charitable objects complement its work. They are accounted for when the recipient has been notified of the grant and payment is unconditional.

i Support costs

Support costs are those that assist the work of the church but do not directly represent charitable activities and include office costs and governance cost. Where support costs cannot be directly attributed to particular headings they have been allocated to the cost of raising funds and expenditure on charitable activities on a basis consistent with the use of resources. This represents direct expenditure on the governance of the church. Most of the management is carried out without charge by volunteers. This intangible cost is not included in the Statement of Financial Activities since there is no measurable cost to the volunteers for their service.

j Fixed Assets

Tangible fixed assets are capitalised if they can be used for more than one year and cost at least £1,000. They are initially recognised at cost, or for donated assets, at a reasonable estimate of their value on receipt.

There is no reliable information available for the cost of the church premises and so on first time adoption of FRS102, the insurance value used previously was adopted as deemed cost.

k Depreciation

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

Freehold land	Nil
Buildings	1%
Furniture and fittings	10%
Computers and equipment	33%

[Or such rates as the church decides.]

l Investment Assets

Investments are initially stated at cost. Subsequently they are measured at fair value with changes recognized in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. All other investment assets are shown at cost less impairment.

m Funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for specific purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for specific purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally *[insert detail]*. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

n Employee benefits

The charity operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the charity pays fixed contributions into a separate entity. Once the contributions have been paid the charity has no further payments obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the charity in an independently administered fund.

Prior to 2012 pension provision was made through multi-employer defined benefit pension plans. Where it is not possible for the charity to obtain sufficient information to enable it to account for a plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.

Where the plan is in deficit and where the charity has agreed, with the plan, to participate in a deficit funding arrangement, the charity recognises a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement that relate to the deficit. The unwinding of the discount is recognised as a finance cost and any other change in the measurement of this liability is expensed to the Statement of Financial Activities

2 Donations and Legacies

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
Donations and Legacies						
Offerings						
Tax refunds						
Grants received						
Legacies						
Total (to agree with SoFA)						

In 20yy £xxxxx of the donations and legacies income was attributable to restricted funds, with the remaining £xxxxx being attributable to unrestricted funds.

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

3 Investment Income

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
Investment Income						
Bank interest						
Building Society interest						
Rent received						
Income from other investments						
Total (to agree with SoFA)						

Include analysis of comparative by fund type.

4 Other trading activities

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
Income from other trading activities						
Trading income						
Fund-raising events						
Total (to agree with SoFA)						

Include in this note material sources of income from special events held to specifically raise funds. Include analysis of comparative by fund type.

5 Other income

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
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Other income

Total (to agree with SoFA)

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

6 Raising Funds

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
--	--------------	------------	------------	-----------	------	------

Raising Funds

Total (to agree with SoFA)

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

7 Charitable Activities

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
--	--------------	------------	------------	-----------	------	------

Charitable Activities

Ministry

Mission

Establishment

Total (to agree with SoFA)

Most of the church's expenditure will be shown under these headings. See Section 6 of the narrative of this leaflet. Include analysis by fund type.

8 Other Expenditure

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
--	--------------	------------	------------	-----------	------	------

Other Expenditure

Total (to agree with SoFA)

This is a space for anything which has not been allocated to the other expenditure headings. Churches are unlikely to have any costs to show here. Include analysis of comparative by fund type.

9 Support costs

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
Support costs						
Finance						
IT						
Office costs						
Governance costs:						
Independent Examinations costs						
Legal costs						
Meeting costs						
Other costs						
Total (to agree with note 10)						

This is an item in the SORP regulations which may be small in church contexts, as much support will be provided free by volunteers. Support costs, including paid administrative staff, should be allocated across the other headings in note 7 on any logical and consistent basis (e.g. in proportion to expenditure). See section 6 of this leaflet. Include analysis by fund type.

10 Expenditure

	Direct Charitable Expenditure	Grants Payable	Allocated Support Costs
Expenditure			
Ministry			
Mission			
Establishment			
Cost of Generating Funds			
Total (to agree notes 9 & 11)			

This note reanalyses all of the costs in the previous notes between direct charitable costs, grants and support costs. The grant funding will agree with note 11 and support costs will agree with note 9.

11 Grants payable

	Unrestricted	Designated	Restricted	Endowment	20xx	20yy
Grants payable						
BUGB Home Mission						
BMS World Mission						
Etc						
Other Small grants (<£xxx)						
Total (to agree with note 10)						

Show here material grants made to other charities to provide the reader with a reasonable understanding of the nature of the activities or projects that are being funded. Most grants will be allocated to the Mission heading in notes 7 and 10 above. We recommend including a total of small grants so that the totals agree to note 10. Include analysis of comparative by fund type.

12 Net income for the year

20xx

20yy

Net income for the year

Net income for the year is stated after charging/(crediting)

Auditors/independent examiners' remuneration:

Audit/independent examination

Taxation work

Other services

Loss on sale of fixed assets

13 Gains and losses on revaluations and disposals of investment assets

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

14 Transfers between funds

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

15 Staff costs and Trustees expenses

20xx

20yy

Staff costs and Trustees expenses

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

Total

The average number of employees during the year was _____

No employee received total emoluments in excess of £60,000 during the year.

The Minister acts as one of the church's trustees in accordance with e.g. the Trust deed and received remuneration of £xxxxx and other benefits in respect of his/her services as Minister, including the provision of manse accommodation [*select one of the following alternatives*]

owned by the church.

OR rented by the church

OR rented by the church from the Minister (and his/her spouse)

OR part owned by the church and rented in part from the Minister (and his/her spouse)

{The wording will need to be adapted if there is more than one minister trustee}

£xxxx in total was reimbursed to the Trustees in respect of expenses incurred as Trustees (20yy £xxxx).

The Church pays pension contributions for its Minister to the Baptist Ministers Pension Trust Limited, which is a final salary defined benefit scheme, which is not contracted out of the State second pension. The scheme is a multi-employer scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the church. Therefore, in accordance with FRS102 Section 28, the scheme is accounted for as a defined contribution scheme.

Total aggregate remuneration paid to key management personnel during the year was £xx,xxx (20yy £xx,xxx)

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

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

16 Tangible Fixed Assets

	Church Premises	Manses	Furniture and fittings	Computers and equipment	Total
Tangible Fixed Assets					
Cost					
01 January 20xx					
Additions					
Disposal					
31 December 20xx					
Depreciation					
01 January 20xx					
Charge for the year					
On disposals					
31 December 20xx					
Net book value					
1 January 20xx					
31 December 20xx					

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

17 Fixed Asset Investments

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

	20xx	20yy
Investments		
01 January		
Additions		
Disposal		
Gains and losses on investments		
31 December		

The fair value of listed investments is determined by reference to the quote bid price on the relevant stock exchange on the balance sheet date.

Investments at fair value comprise securities £xxxxx (20yy: £xxxxx) and cash within the investment portfolio £xxxxx (20yy: £xxxxx)

18 Stocks

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

19 Debtors

	20xx	20yy
Accrued income		
Prepayment and other debtors		
31 December		

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

20 Current Asset Investments

These represent short-term listed investments and short-term deposits.

21 Bank and cash balances

The total amounts held with each bank may be shown separately, although there is no obligation to do this. e.g.

	20xx	20yy
Anytown Bank plc		
COIF		
Baptist Union Corporation		
Anytown Building Society		
Total		

22 Creditors: amounts falling due within one year

	20xx	20yy
Loans and overdrafts		
Other creditors		
Accruals		
Total		

Where there is an overdraft, the whole of it should be shown as an amount due within one year. Where there are loans with set repayments over several years, the next year's repayments should be shown here with the balance in the note below. Where loans from church members have no defined date for repayment, they should be shown as due within one year, even if they are not expected to be repaid in that period.

23 Creditors: amounts falling due after more than one year

	20xx	20yy
Creditors: amounts falling due after more than one year		
Loans		
Baptist Union Loan Fund		
Baptist Strategy Building Scheme		
Bank		
Total		

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

24 Endowment Funds

	01 January 20xx	Incoming Resources	Resources expended	Gains and loses	Transfers	31 Dec 20xx
Endowment Funds						
Church building reserve						
The XYZ charitable fund						
Total						

Each endowment fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Endowment column of the SoFA. The total of the funds at the balance sheet date should equal the endowment fund total on the balance sheet. A brief narrative should be given of the purpose of each Fund, e.g. "The Building Reserve Fund represents the funds originally applied to the building of the church

	Fixed Assets	Investments	Net Current Assets	Total
Endowment Funds				
Church building reserve				
The XYZ charitable fund				
Total				

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

25 Restricted Funds

	01 January 20xx	Incoming Resources	Resources expended	Gains and loses	Transfers	31 Dec 20xx
Restricted Funds						
Manse Fund						
Organ Fund						
Total						

Each restricted fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Restricted column of the SoFA. The total of the funds at the balance sheet date should equal the restricted fund total on the balance sheet. A brief narrative should be given of the purpose of each Fund, e.g. "The Manse Fund is for the purchase of a Manse for a second Minister." For each fund, narrative should be provided to explain any transfer.

	Fixed Assets	Investments	Net Current Assets	Total
Restricted Funds				
Manse Fund				
Organ Fund				
Total				

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

26 Designated Funds

	01 January 20xx	Incoming Resources	Resources expended	Gains and loses	Transfers	31 Dec 20xx
Designated Funds						
Projector Fund						
Flower Fund						
Repairs Fund						
Total						

Each designated fund should be shown separately. The totals of all the Funds should reflect the amounts shown in the Designated column of the SoFA. The total of the funds at the balance sheet date should equal the designated fund total on the balance sheet. A brief narrative should be given of the purpose of each Fund. e.g. "The Repairs Fund is for the repairs to the church building." For each fund narrative should be provided to explain any transfer.

	Fixed Assets	Investments	Net Current Assets	Total
Designated Funds				
Projector Fund				
Flower Fund				
Repairs Fund				
Total				

27 Analysis of net assets

	Fixed Assets	Investments	Net Current Assets	Total
Analysis of net assets				
Endowment Funds per note 24				
Restricted Funds per note 25				
Designated Funds per note 26				
Unrestricted Funds				
Total				

Totals to agree with the Balance Sheet

28 Pensions

The Church is a participating employer the Baptist Pension Scheme ("the Scheme"), which is a separate legal entity administered by the Pension Trustee (Baptist Pension Trust Limited). The assets of the Scheme are held separately from those of the Employer and the other participating employers.

The Scheme, previously known as the Baptist Ministers' Pension Fund, started in 1925, but was closed to future accrual of defined benefits on 31 December 2011. Prior to this date the main benefit provided through the Defined Benefit (DB) Plan was a pension of one eightieth of final minimum pensionable income for each year of pensionable service together with additional pension in respect of premiums paid on Pensionable Income in excess of Minimum Pensionable Income.

From January 2012, pension provision is being made through the Defined Contribution (DC) Plan within the Scheme. In general, members pay 8% of their Pensionable Income and employers pay 6% of members' Pensionable Income into individual pension accounts, which are operated and managed on behalf of the Pension Trustee by Broadstone Corporate Benefits Ltd. In addition, the employer pays a further 4% of

Pensionable Income to cover Death in Service Benefits, administration costs, and an associated insurance policy which provides income protection for Scheme members if they are unable to work due to long-term incapacity. This income protection policy has been insured by the Baptist Union of Great Britain with Aviva Limited. [Members of the Basic Section pay reduced contributions of 5% of Pensionable Income, and their employers also pay a total of 5%.]

The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. Because it is not possible to attribute the Scheme's assets and liabilities to specific employers, the scheme is accounted for as if the Scheme were a defined contribution scheme.

The Minister(s) [and some members of the church staff] is / are eligible to join the Scheme.

Actuarial valuation as at 31 December 2019

A formal valuation of the DB Plan as at 31 December 2019 was carried out by a professionally qualified Actuary using the Projected Unit Method. At the valuation date the market value of the DB Plan assets was £298 million, whilst the level of assets needed to pay benefits was £316m, giving a deficit of £18m (equivalent to a past service funding level of 94%). The Church and the other participating employers in the DB Plan are collectively responsible for funding this deficit.

The key financial assumptions underlying the valuation were as follows

Type of assumption	% p.a.
RPI price inflation assumption	3.20
CPI price inflation assumption	2.70
Minimum Pensionable Income Increase Adjustment (above CPI)	0.50
Pre-retirement assumed investment returns (gilt yield plus 1.75% pa)	2.95
Post retirement assumed investment returns (including benefits matched by the insurance policy) (gilt yield plus 0.5% pa)	1.70
Minimum Pensionable Income increases (CPI plus 0.5%)	3.20
Deferred pension increases (based on RPI)	
Pre April 2009	3.20
Post April 2009	2.50
Pension increases	
Based on CPI with an annual floor of 0% and annual cap of 5%	2.70

Mortality is assumed in accordance with 80% of the S3NA standard mortality table. Future improvements projected from 2013 in line with the "CMI 2019" projection with a long-term rate of improvement of 1.75% p.a. for males and 1.5% p.a. for females with the core smoothing parameter and with additional initial mortality improvement factor A=0.5%.

The next actuarial valuation of the DB Plan within the Scheme will commence in 2023 to reflect the position as at 31 December 2022

Recovery Plan

In addition to the contributions to the DC Plan set out above, where a valuation of the DB Plan reveals a deficit the Trustee and the Council agree to a rate of deficiency contributions from churches and other employers involved in the DB Plan. Following the 2019 valuation a Recovery Plan was signed in September 2020 under which deficiency contributions are payable until June 2026. These contributions were broadly based on each employer's membership at 31 December 2014 and increase annually in line with increases to Minimum Pensionable Income as defined in the Rules.

On 30th June 2022 the Baptist Pension Scheme signed an agreement with the insurance company Just Group ("Just") to secure DB Plan members' pension benefits. Just are now providing financial backing for all pensions provided through the Scheme's DB Plan and following this transaction, the Scheme no longer has a

shortfall. An updated Recovery plan was then signed in August 2022 under which recovery contributions from each participating employer in the DB Plan reduced to £1 per month from August 2022.

[Movement in Balance Sheet liability – Not applicable if the pension liability has been written off

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	20xx £	20yy £
Balance sheet liability at year start		
Minus deficiency contributions paid		
Interest cost (recognised in SoFA)		
Remaining change to balance sheet liability* (recognised in SoFA)		
Balance sheet liability at year end		

* Comprises any change in agreed deficit recovery plan and change in assumptions between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	31 Dec 20xx	31 Dec 20yy	31 Dec 20zz
Discount rate			
Future increases to Minimum Pensionable Income			

The Church has been advised that the cost for the church to buyout their Pension Scheme liabilities at 31 December 20xx was approximately £xxxxx.]

Cessation Event [if applicable]

[Consequent upon [the departure of the Minister from the Church in [year]], the Church had a cessation event under Section 75 of the Pensions Act 1995. This makes the Church liable for the proportion of the overall deficit (assessed by reference to the cost of securing benefits by the purchase of annuities) applicable to its previous Ministers who were members of the Scheme. At present the Church is paying the ongoing deficiency contributions outlined above, and the balance sheet liability below is based on those deficiency contributions. However, the Pension Scheme Trustee has the right to quantify and seek payment of the debt at any time.]

29 Reconciliation of net cash provided by operating activities

NB – this is only needed for larger charities obliged to provide a cashflow statement

	20xx	20yy
Net income (expenditure)		
Adjustments for:		
- Depreciation		
- Dividends and interest from investments		
- Net gains on sale of fixed assets		
- Decrease in stocks		
- Increase in debtors		
- Increase in creditors		
Net cash provided by operating activities		

30 Related Charities

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

The church is in receipt of a loan from the Baptist Union Corporation as set out in note 23.

The church received a grant from the Baptist Union Home Mission Scheme as set out in note 2. The church made a donation to the Baptist Union Home Mission Scheme as set out in note 7.

or

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

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

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

The staff at the Baptist Union of Great Britain at Baptist House will be very pleased to answer your queries and help in any way possible.

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