20 December 2019

Dear Treasurer

*(copied to Ministers, Presbytery Clerks and Presbytery Finance Conveners)*

**CHURCH ACCOUNTS AND THE ANNUAL STATISTICAL RETURN FOR 2019**

The purpose of this letter is to explain changes to

1. the arrangements for the preparation, approval and adoption of congregational accounts for 2019
2. the format of the Annual Statistical Return for 2019

Over the last few years it has become evident that changes needed to be made and this has been confirmed in more recent expressions of concern from both presbyteries and congregations regarding the present financial reporting arrangements. In particular, the increasing demands being placed on Church Treasurers and the wide range of finance reports that have to be prepared e.g. for the congregation, for “Church House/Assembly Buildings” and, in respect of congregations in Northern Ireland, for the Charity Commission.

The Finance Panel of the Support Services Committee of the General Council has reflected on its recent experience of the current arrangements and the concerns expressed by presbyteries and congregations. It was reported to the General Council in October the that arrangements were under review. Panel representatives met with representatives from the 19 Presbyteries at a meeting in Assembly Buildings on 12 December to discuss how the concerns might be addressed and what changes could be made to simplify the present arrangements.

**CHURCH ACCOUNTS or ANNUAL FINANCIAL REPORT**

Traditionally congregations will have prepared an Annual Financial Report for distribution to and adoption by members at the congregation’s AGM, and while there will be some variation from congregation to congregation it is likely this will have included reports from Session/Committee etc, accounts for individual funds and organisations, details of the Freewill Offering and other contributions and certain other relevant information.

More recently all congregations in Northern Ireland have had to prepare a set of accounts in a certain format for submission to the Charity Commission and it is expected this requirement will also apply to congregations in the Republic of Ireland once the registration process with the Charities Regulatory Authority, which is due to commence at the start of 2020, is completed.

Some of the comments received would suggest that some congregations now see themselves as having two sets of accounts which clearly should not be the case. There should be one set of “Church Accounts” for the congregation which serve the purposes of both the congregation and the appropriate Charity Regulator.

Therefore, a congregation’s “Church Accounts” for 2019 (i.e. the accounts for the year ended 31 December 2019) should be in the format that is required for submission to the appropriate Charities Regulator (congregations in the Republic of Ireland should refer to Note 3 in the Appendix). It is however recognised that these accounts probably do not provide the level of detail that members might be used to getting, because they provide more of an overview of the financial position of the congregation. Therefore, congregations should consider whether their “Church Accounts” should be supplemented with some additional pages or appendices which provide further financial information to members. The Finance Panel does not plan to make any recommendations as to what these additional pages or appendices should include and leave it to Sessions/Committees to decide what is appropriate in their local setting. For the sake of clarity Appendix 1 sets outs what should be included in a set of “Church Accounts” and provides some suggestions as to what could be considered as additional information. The Panel would however want to stress that if a congregation decides that it will only issue its “Church Accounts” without any additional information pages this is entirely in order.

**The consequence of all of this is that congregations should no longer prepare accounts in what might be referred to as their traditional format.**

The “Church Accounts” should be the accounts that are

1. approved by the Kirk Session (as the charity trustees)
2. examined or audited as appropriate
3. presented to the congregation for adoption at its AGM and
4. filed with the Charity Regulator (excluding any additional pages or appendices).

These arrangements will ensure that there is only one set of “Church Accounts” for the congregation.

**ANNUAL STATISTICAL RETURN**

Please find attached the Annual Statistical Return for 2019 and updated Guidance Notes.

Having reflected on the concerns expressed and following consultation with Presbytery representatives at the meeting on 12 December it has been agreed that a “slimmed down” return should be used for the 2019 accounts. The new return only has four sections i.e.

Section 1 Ministerial Information

Section 2: General Congregational Information

Section 3: Financial Summary

Section 4: Summary of General Fund Income

The key changes to note are as follows

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| --- | --- |
| Section 1. Ministerial Income | The information requested has been reduced considerably to exclude information that in the past was provided by the Financial Secretary’s Department to congregations for recording in this section of the form.For 2019 congregations will only be required to record Ministerial Income that has been paid “locally” i.e. directly by the congregation to their minister. |
| Section 2: General Congregational Information | This section remains unchanged from 2018.  |
| Section 3. Financial Summary | This section has been changed significantly. In the previous return congregations were required to list every fund that they had and to show its income, expenditure, any transfers, any gains or losses and the fund balance at the start and end of the year. This detailed information by fund is no longer required. and a reduced amount of financial information is being requested. |
| Section 4. Summary of General Fund Income | This section remains unchanged from 2018. |

This means that the following sections which were included in the 2018 return are no longer required

* Section 5: Summary of General Fund Expenditure - the required information is now available in the new Section 3
* Section 6: Balance Sheet
* Section 7: Statement of Assets and Liabilities

Congregations in Northern Ireland should note that this information should be available in their “Church Accounts” if the previously issued templates are followed.

During the discussion with Presbytery representatives comments were made that the former Section 3 “Summary of Funds”, which required congregations to list their individual funds, was a helpful check both for those preparing the return and also for Presbyteries. Therefore the “slimmed down” return has this former summary appended to it as an optional schedule in case congregations continue to find it helpful to prepare this. This however does not need to be completed or returned.

**TIMETABLE**

In light of the changes noted above the following timetable will apply for the year ended 31 December 2019 accounts

|  |  |
| --- | --- |
| **By no later than****31 May 2020** | Congregations should have prepared, approved, had examined or audited and, if possible, submitted for adoption at their AGM their “Church Accounts”, supplemented with whatever additional information is considered appropriate. |
| **By no later than****31 May 2020** | Congregations should have submitted their Church Accounts and Annual Statistical Return to Presbytery.  |
| **By no later than** **30 Sept 2020** | Presbytery should have submitted the Annual Statistical Return for each congregation to the Financial Secretary’s Department.  |
| **By no later than 31 Oct 2020** | Congregations should have completed their Charities Regulator Annual Return and filed their Church Accounts (excluding any additional information pages)***and***The Financial Secretary’s Department should have collated the Annual Statistical Returns in the format necessary for inclusion in the “Minutes and Statistics of the General Assembly “Book which is to be available for the November meeting of Presbyteries. |

The Finance Panel trust that these revised arrangements, including the revised timescale, will address the concerns that have been expressed and in particular ease the burden on Church Treasurers.

If you have any queries please discuss these in the first instance with your Presbytery Finance Convener or contact the Financial Secretary’s Department.

Yours sincerely

Clive Knox

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Financial Secretary

On behalf of the Support Services Committee of the General Council

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**APPENDIX 1: CHURCH ACCOUNTS**

*(congregations in the Republic of Ireland should read Note 3)*

The Church Accounts for a congregation should include

1. A Charity Trustees Report
2. A Statement of Financial Activity *(Note 1)*
3. A Statement of Assets and Liabilities (if preparing accounts on a receipts and payments basis)

OR

A Balance Sheet (if preparing accounts on an accruals basis)

1. Notes to the Accounts providing inter alia a breakdown of figures in (ii) and (iii)

Template accounts for accounts prepared on both Receipts and Payment and Accrual Accounts were previously issued.

A congregation can supplement the above with additional pages or appendices as decided by the Kirk Session/ Congregational Committee. This might include inter alia

1. A List of contributors to the Freewill Offering – The Finance Panel’s preferred method of disclosure is by number and not by name
2. A further breakdown of figures for receipts/income or payments/expenditure if not already included in the notes to the accounts
3. Accounts for individual funds or a summary thereof e.g. for the general fund or property fund
4. Information on bequest or investments
5. Etc.

**Note 1.**

This is effectively a summary of receipts/income and payments/expenditure for the entire congregation – i.e. all funds of the congregation (including organisations) added together and split between unrestricted, restricted and endowment funds with comparative figures for the previous financial year.

**Note 2.**

The additional pages or appendices should be preceded by a page which states something along the following lines

“The additional financial information provided on the following pages does not form part of the congregation’s independently examined / audited *(delete as appropriate)* Church Accounts. The figures shown have however, been incorporated into the accounts on which the congregation’s independent examiner / auditor *(delete as appropriate)* have given their report.”

**Note 3.**

Congregations in the Republic of Ireland should note that the Charities Regulatory Authority’s present position is that they will accept a charity’s accounts in the format that they are currently prepared. There is not therefore, a requirement that they must be prepared in a certain format. It is however anticipated that such arrangements will shortly be a legislative requirement and it is expected these will be similar to those applicable in Northern Ireland as set out at the start of Appendix 1.