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A. Introduction to Charity Accounting:

In 2008/09 alone people gave £13 billion to charities. Of this incredible resource £0.5 billion was given to the Church of England.

As charities we have a major impact on our society, funding or supporting community work that otherwise, if it would seem to be outside the total responsibility of Government, would not happen! So it is easy to see why Governments are interested in all charities. They want to ensure that money given to charities is spent on the charity's aims and not wasted, so that people will keep giving.

To achieve this aim successive UK Governments have been developing charity law for more than 400 years. They have made charity trustees more and more responsible for the work and finances of the charity. The members of the PCC are charity trustees. The Charities Act (2011) defines charities as organisations that aim to provide 'public benefit' in one or more charitable areas or 'purposes'. It has also reinforced the Charity Commission's legal powers to be able to support and regulate charities.

The Charity Commission created the Charities SORP ('Accounting and Reporting by Charities: Statement of Recommended Practice' ([link](#))), to give us clear guidelines on what information to keep and what reports to produce to meet our legal obligations. The Church of England has adopted the SORP as its standard basis for annual financial reporting by parishes, so that now we can provide the same information to both the government (for the general public) and the wider church.

B. What does this mean for you as a parish?

As PCC members we are the Charity Trustees of the parish. We therefore need to understand what money is coming into the church, how we are spending it and why. In order to give a clear account of how the money has been received and spent, each parish has to produce the reports required by law.

These accounts and reports help us to tell people how their money supports the mission of the church. They will also help us to show that the money given to us for running the parish or for specific aims such as youth or building work was used for those purposes. As PCC members we are responsible for the money, how it is looked after and for providing clear information about all of the money that belongs to the church.

The first step in providing the correct reports is to decide which kind of annual accounts you need to produce and how these will be externally examined. There are two alternative ways of preparing annual accounts:

Accruals accounts or Receipts and Payments based accounts?

How do you decide? The basic rule is to calculate the gross income of your parish (that is all income before any payments have been made or costs deducted, but excluding any capital received for endowment). If it is:

- Less than £250,000 a year you can choose to prepare either accruals accounts or the easier Receipts and Payments based accounts.
- Over £250,000 a year you must report using accruals accounts. A separate guide is available for preparing accruals accounts.

If your income is less than £250,000 per year, Receipts and Payments is the easier form of annual accounting for your parish. Unless there are particular reasons why accruals accounts are needed for your parish, new treasurers are advised to choose Receipts and Payments unless they are experienced in accruals accounting.

Accruals accounts are required by law if the PCC's annual gross income is over £250,000.

The following guidance is for Receipts and Payments' accounting only.

C. What are Receipts and Payments accounts?

As the name suggests they are a way of summarising all receipts (the cash coming into the parish, such as Sunday giving, special collections, other gifts of money, etc) and all payments (the cash going out of the parish, such as electricity, parish share, giving to other good causes, etc.). To give a full picture, they also need to summarise the assets (what you owned) and liabilities (what you owed) at the year end.

All Church of England parishes have a financial year that is the calendar year: **1st January – 31st December.**

The 'Annual Report and Accounts' has four components that you need to provide at the end of the year. You produce:

1. Trustees' Annual Report
2. A Receipts and Payments Account
3. A Statement of Assets and Liabilities

and an Independent Examiner of your choice will produce the fourth report:

4. Independent Examiner's Report on the accounts

To see how these reports work in practice we have provided examples for a fictitious church – St Emilions ([link](#)) .

If you are not sure what to look for in an Independent Examiner, how to appoint one, what information to give to them or even how to find one, click [here](#) to find practical answers to these questions.

The Charity Commission sets the ground rules for the design and content of the Trustees' Annual Report and the Independent Examiner's Report. There is no design that you 'must' follow for the Receipts and Payments Account and the Statement of Assets and Liabilities. You must give at least the minimum information required by law and the wider church. Obviously, it is best to present this in a consistent way from year to year. The examples shown in this booklet give the recommended trustees' report and annual accounts designs from the national Church's perspective, and in the light of Charity Commission recommendations.

This guidance aims to make annual reporting easier. By producing the recommended reports and accounts you will also have provided all the information required by law.

However before we get into the reports and accounts themselves we need to look at a basic principle of charity accounting – the use of trust funds.

D. What are Trust Funds and why are they important?

As we said in the introduction, people give money on trust with the expectation that the PCC will use it appropriately. Let's unpack this a little:

The parish must track all of the money it is given to show that the donor's wishes have been met. As that money comes into the parish for so many different things and in so many different ways, how can it be tracked? The answer is by using "funds"; accounting records that record money according to the specific purposes for which it was given.

This way of looking at money is well known to many householders who, for example, receive a weekly wage and in order to 'make ends meet' then allocate it to various needs or 'funds':

- giving to 'good causes'
- food shopping,
- mortgage or rent,
- utility bills,
- clothes,
- holidays
- and the little bit left over!

The weekly wage has come into one household but it has been allocated for various purposes.

Now let's look at how 'funds' work in a parish where the 'wages' are the money **given** to us by people who choose to say what the money they have given is to be spent on. For example, in one week:

The normal Sunday collection is received (**£450**) to keep the parish running, as part of its mission and ministry. It is **unrestricted money for the PCC's general purposes**, to be used in whatever way the PCC decides. As in a household most of the money given to a parish is unrestricted.

The same week a special collection is also taken for youth work (**£250**). This time it is clear that the people who donated it expect their money to be used for youth work. It is **restricted money** (under trust law). Not even the PCC or the vicar can give permission for it to be used on anything else.

The parish is grateful to receive a legacy of **£50,000** for youth work. The will states that this money must be invested, and only the income (interest or dividends) can be spent. This is **endowed money** and it has been **restricted** to the youth work, so it can't be used for anything else.

On Monday morning all of the money, a total of £50,700, goes into the bank, and the parish accounts show:

Bank current account receives: £50,700 from giving, and out of this:

- £450 is allocated to the General Fund (unrestricted money for spending)
- £250 is allocated to the Youth Fund (restricted money for spending)
- £50,000 is allocated to the Youth Endowment Fund (restricted money for investing).

All the money your parish receives can be put in one bank account so long as you have recorded to which fund the money belongs. As you spend money you also need to show which fund has been used, for example: whenever money is used for youth work it should normally come out of the Youth Fund. When the parish electricity bill needs paying it comes out of the General Fund.

Finally if the PCC decides, for example, to spend more on youth work it can move money from the General Fund into a Designated fund, in this case the 'Youth Designated Fund'. That money is still **unrestricted**, so if the roof blows off, the PCC can undesignate the money, and move it back to the General Fund to use for repairing the roof!

For more information on types of trust fund, see Appendix One : 'What are Funds and Fund types?' ([link](#))

E. What do you have to do to produce your 'Annual Report and Accounts'?

Put simply you need to summarise :

1. What went into the bank, for what fund (purpose) and where it came from (receipts).
2. What came out of the bank, from what fund and what was it spent on (payments).
3. Details of any investments and other assets as at the end of the year (even if sold since) and to what fund they belong.
4. Details of any loans, unpaid bills or other liabilities as at the end of the year (even if paid since) and to what fund they relate.

To do this:

You need to start by thinking about how money is received and spent by the PCC and then deciding on the most sensible account headings to use. It is likely that the parish is already using account headings and they may need little change.

Some basic practical and consistent account headings have been identified for you to adopt or use as a checklist. They relate to parish life and link easily to the Receipts and Payment reports and the Annual Return of Parish Finance report. See Appendix Two ([link](#)).

The following examples use these account headings:

Receipt Account Headings	Payment Account Headings
Planned Giving	Parish Share
Collections at Services	Mission Giving and Donations
Gift Aid recovered	Church Running Expenses
Receipts from church activities (e.g. Fees for weddings and funerals)	Fund Raising Activities (e.g. Costs of fetes & other events)

Example individual account descriptions (column 4) are given in appendix two. The individual account descriptions included in each heading can be as detailed as you wish. Each time you get or spend money

you also need to record the fund that you used. If you use a cashbook or spreadsheets you simply add extra columns for the funds. Church specific software will manage this for you.

Using the limited number of categories and account headings shown in appendix two enables your accounts to be compared with other parishes. Doing this gives an overall picture of how parishes within each diocese or across the country are getting and spending their money.

The category groupings bring together similar account headings for example all donations are shown as Voluntary Receipts and the running costs of the church are shown as Church Activities. The headings given here are suggested for parish use, and are in line with guidance from the Charity Commission and the Return of Parish Finance.

There are two main sections to the accounts : 'Receipts' and 'Payments' and these are divided into categories and account headings to give more detail. Using the examples above the receipts would be grouped together in categories:

Receipts categories for reporting	Receipt Account Headings
Voluntary Receipts	Planned Giving
	Collections at Services
	Gift Aid Recovered
Church Activities	Receipts from church activities (e.g. Fees for weddings and funerals)

Using the examples above the Payments would be grouped together in categories:

Payments categories for reporting	Payment Accounts Headings
Church Activities	Parish Share
	Mission Giving and Donations
	Church Running Expenses
Costs of generating funds	Fund Raising Activities (e.g. Costs of fetes & other events)

For examples of receipt and payment account headings linked to the appropriate categories see **Appendix 2** ([link](#)).

Once the account headings have been decided and the funds that the money belongs to has been identified, you are ready to start recording receipts and payments.

F. Practical Hints and Tips

1. You do not need to record **depreciation**.
2. **Recording money you receive or pay that covers more than one account heading:**
For example, You may be given money or make payments that cover more than one account heading such as purchasing bibles partly for the bookstall and partly as a gift in kind to a missionary society.

You need to divide the money between the different activity account headings - it is called **apportionment** and should be done on a '**reasonable basis**'. This means that if 20% of the bibles were for the bookstall and 80% for the mission then 20% of the cost would be shown as Bookstall Costs and 80% as Mission Grants.

3. **Recording money you receive or pay that covers more than one fund:**
You may receive or pay out money that relates to more than one fund. For example building work that is partly normal maintenance and partly improvement and so should come partly out of the

General Fund and partly out of the Building Restricted Fund.

You need to divide the money between the different funds. This is also **apportionment** and should be done on a '**reasonable basis**'. For example if the building work done is 50% normal maintenance and 50% improvement then the payment will be split half to the general fund and half to the Building restricted fund.

4. **Netting off is not allowed.** You must show all receipts and payments gross, so for example if you have a fete which costs £100 for materials / publicity and you raise £500 from the fete your accounts must **not** show the receipts less the payments which would be an overall receipt of £400. In this case you must show:
 - a. Receipts = £500
 - b. Payments = £100

However, where money simply passes through the PCC's bank account, but the funds do not belong to the PCC, then neither the receipt nor the payment should be recorded.

5. **Return of Parish Finance Report:** each parish is asked to complete an annual return of financial information. The information is gathered under certain categories in a similar way to the Receipts and Payments Account.

There is a standard Return of Parish Finance Report and by relating individual account headings to the relevant category the information can be gathered quite simply. **Appendix 3** shows the example account headings related to the appropriate categories ([link](#)). Some dioceses require additional information, which can be added in a similar way.

G. What reports do you have to produce?

Once you have reached 31st December and all of your receipts and payments have been recorded (see the [end of year checklist](#)) you are ready to produce your 'Annual Accounts'. You need to produce:

1. Trustees' Annual Report ([link to example](#))
2. A Receipts and Payments Account ([link to example](#))
3. A Statement of Assets and Liabilities ([link to example](#))

As it is always helpful to see what these reports would look like in a parish setting we have provided the full Receipts and Payments reports for a fictional Church of England parish called St Emilions. We will explain what each report needs to include (and why) and you can see this in the St Emilions example ([link](#)).

1. Trustees' Annual Report (TAR)

This report gives you the chance to tell everyone the aims of the church and what you are doing to make them happen. You can share 'good news' stories and how people's giving made them possible.

Trustees are collectively responsible for this report, and the drafting should not just be left to the treasurer. Its aim is to give a clear and concise description of the mission and ministry of the church. Also remember that this report is meant for everyone so that even strangers can feel they understand why and how the church works.

What is in the Trustees Annual Report?

The following pages reviews the report section by section, with a brief guidance note, followed by the example....

Aim and purposes

Information required	What you need to include
Aims and purposes	Every Church of England church has the same aim: 'To promote the whole mission of the Church, pastoral, evangelistic, social and ecumenical'. You will need to show any buildings etc that the PCC is responsible for in the local situation.

St. Emilion's Parochial Church Council (PCC) has the responsibility of cooperating with the incumbent, the Reverend Samuel Weller, in promoting in the ecclesiastical parish, the whole mission of the Church, pastoral, evangelistic, social and ecumenical. The PCC is also specifically responsible for the maintenance of the Church Centre complex of St. Emilion's, The Green, Barchester.

Objectives and Activities

Information required	What you need to include
Objectives and Activities	How you are trying to fulfil the aims of the church for the benefit of everyone in the church and community. For example the PCC may have become aware that there are no daytime activities for families with small children and decided to try to meet their needs – this would be fulfilling pastoral and social aims.

The PCC is committed to enabling as many people as possible to worship at our church and to become part of our parish community at St. Emilion. The PCC maintains an overview of worship throughout the parish and makes suggestions on how our services can involve the many groups that live within our parish. Our services and worship put faith into practice through prayer and scripture, music and sacrament.

When planning our activities for the year, we have considered the Commission's guidance on public benefit and, in particular, the supplementary guidance on charities for the advancement of religion. In particular, we try to enable ordinary people to live out their faith as part of our parish community through:

- Worship and prayer; learning about the Gospel; and developing their knowledge and trust in Jesus.
- Provision of pastoral care for people living in the parish.
- Missionary and outreach work.

To facilitate this work it is important that we maintain the fabric of the Church of St. Emilion and the Church Centre Complex.

Achievements and Performance

Information required	What you need to include
Achievements and Performance	The church activities and how they have helped people. It helps to celebrate success and to think about what more can be done. You can say what hasn't worked so well and tell people what changes have been considered. It is also the place where the church organisations can share their achievements for the year. If we continue the example above - the church may have started a toddler's playgroup which has been successful with 15 children and 10 parents attending and two new families coming to church.

Worship and Prayer

The PCC is keen to offer a range of services during the week and over the course of the year that our community find both beneficial and spiritually fulfilling. For example, evening prayers provide a quiet,

intimate and reflective environment for worship whilst opportunities are provided for people to engage in more outgoing worship such as that provided by the youth group within our parish.

This year we have been successful in welcoming more families into our church and have agreed a new style of Family Worship on the morning of the 3rd Sunday each month. This has meant that special arrangements have had to be made for baptisms and for welcoming the families at corporate worship on the 1st Sunday of each month. It is pleasing to be able to report that the new arrangements have been well received since they came into operation during September. They will be reviewed by the PCC after 12 months. In addition, a great deal of time and thought was spent during the year on making best use of the new services. Many have said how much easier it is to follow the services now that they are printed out in booklets.

All are welcome to attend our regular services. At present there are 173 parishioners on the Church Electoral Roll, 91 of whom are not resident within the parish. 18 names were added during the year and 9 were removed either through death or because they moved away from the parish. The average weekly attendance, counted during October, was 107, but this number increased at festivals and two Christmas carol services had to be held to seat all those who wished to attend.

As well as our regular services, we enable our community to celebrate and thank God at the milestones of the journey through life. Through baptism we thank God for the gift of life, in marriage public vows are exchanged with God's blessing and through funeral services friends and family express their grief and give thanks for the life which is now complete in this world and to commend the person into God's keeping. We have celebrated 25 baptisms and 15 weddings and held 26 funerals in our church this year.

Deanery Synod

Three members of the PCC sit on the deanery synod. This provides the PCC with an important link between the parish and the wider structures of the church. This year the PCC has also focused its attention on the questions posed to parishes in the deanery about the most effective deployment of stipendiary and non-stipendiary clergy.

The Church Centre Complex

We want our church to be open to our community for private prayer. Unfortunately, since the theft of valuable church artefacts from St. Augustus Church, in the neighbouring parish, we have felt unable to leave the church open at all times for private worship. We are however pleased that a rota of parishioners has enabled us to open the church at weekends and for all public holidays in the past year.

The state of the nave roof has been causing concern for some time. After many years, during which routine maintenance has been carried out, a detailed report on its condition will be prepared by the architect at the next routine inspection in April 2011. We have already anticipated the need for major structural renewal, and it is our policy to make provisions from general income in the hope that an urgent appeal can be avoided.

The kitchen in the Church Hall was refurbished during August and the new environment meets the stringent health and safety requirements and allows us to continue the old people's luncheon club on Saturdays. 18 people regularly attend at our luncheon club, 12 of whom are parishioners. We were particularly pleased to be able to extend the services of our club to the members of the Barchester Green Methodist Chapel luncheon club when the death of Alice Luther, the main organiser of that club forced its closure.

During the week the hall is used by our mothers and toddlers group on Wednesdays. Fifteen children and their carers have been regular attenders at the mother and toddler group. During the summer the group organised two outings including older siblings during the school holidays. In July, twenty children and their parents went for the day to Longleat and later in the holidays we had the hottest day of the year for our family outing to New Milton.

The crèche runs in the hall on Tuesday and Thursday mornings. There are 12 regular attenders at the crèche which is organised by Sally Pincet, the council's peripatetic childcare co-ordinator who runs crèches

at our church as well as at St. Augustus on Mondays and Wednesdays. She has a rota of volunteers from the parish who help her all of whom have been CRB checked. The crèche had an OFSTED inspection during the year and passed with flying colours.

Pastoral Care

Some members of our parish are unable to attend church due to sickness or age. Reverend Samuel Weller has visited all church members who have requested it, to celebrate communion with them either at their homes or in hospital. Miss Finching has continued to organise a rota of volunteers to visit all who are sick or unable to get out for any other reason to keep them in touch with church life.

Mission and Evangelism

Helping those in need is a demonstration of our faith. The Mission and Evangelism Committee is to be congratulated on its fund-raising efforts. £1,350 was raised for the Southern Africa Famine appeal. It is good that these efforts on behalf of others can be combined with opportunities for fellowship.

Our parish magazine is distributed quarterly to all parishioners on the Church Electoral Roll and available at the Church Hall. The magazine keeps our parishioners informed of the important matters affecting our Church and articles that help develop our knowledge and trust in Jesus.

Ecumenical Relationships

The church is a member of Churches Together in Barchester and of the Salisbury Interfaith Forum. We have held joint services on the fourth Sunday of every month with the Barchester Green Methodist Church and for the first time this year have joined with them both for our Lent courses and to run an Alpha course in the autumn. The Alpha course has led a number of people to attend other church activities and services. We have also worked with Barchester Green Methodist Church and Millfield Baptist Church to deliver a flyer to every home in the town advertising the Christmas services of all three churches.

Financial Review

Information required	What you need to include
Financial Review	<p>A brief explanation of how the money has come in and been spent. Explaining what has happened to the money straight after talking about the church's achievements helps people to see the links especially if you describe how giving was used.</p> <p>You also need to explain the 'Reserves Policy', the amount of money that the church is keeping for a 'rainy day' or future projects. (link for guidance on developing a reserves policy.) The Charity Commission understands the need for some reserves but the church has to remember that the money was given to do the work of the church and not just sit in a bank!</p>

Total receipts on unrestricted funds were £64,200 of which £42,000 was unrestricted voluntary donations, and a further £8,700 was from Gift Aid. Restricted donations of £5,800 were also received and are detailed in the Financial Statements. The freehold house at 36 Church Road continues to be let temporarily, which provided a gross income of £3,700.

The planned giving through envelopes and banker's orders increased by 8% and it was good to see the use of Gift Aid envelopes increased. Total income, including tax recovered but excluding the legacy, went up by only 3% compared with last year. This was partly due to the Christmas Bazaar not being held this year. We were grateful for a pecuniary legacy of £1,000 from the estate of Mrs Mary Rudge. £2,000 was set aside towards the cost of the much needed cleaning of the organ. The work was completed in time for Christmas.

£61,350 was spent from unrestricted funds to provide the Christian ministry from St. Emilion's Church, including the contribution to the diocesan parish share that increased by 12% in the year and largely provides the stipends and housing for the clergy.

The sum that the churches in the deanery have to find is shared between the churches according to a formula that is based mainly on a head count of the congregations. We have to find more of the sum at St. Emilion's as the size of our congregation increased more compared with other churches.

The net result for the year was an excess of receipts over payments of £2,850 on unrestricted funds. Adding bank and deposit balances brought forward at the beginning of the year, the balances carried forward at 31st December on unrestricted funds totalled £10,450 of which £5,300 has been set aside to meet the costs of cleaning and maintaining the church organ and is carried forward as a designated fund.

Reserves policy

Information required	What you need to include
Reserves Policy	In this section the PCC needs to summarise its Reserves Policy, and to report where its reserves stand in relation to this policy, and action that the PCC will take to address any imbalance. In addition to cash balances, amounts payable to and by the PCC at the year end should also be included (e.g. Gift Aid claim made but not yet received, and bills received but not yet paid.)

It is PCC policy to try to maintain a balance on unrestricted funds which equates to at least three months unrestricted payments. This is equivalent to £15,000. It is held to smooth out fluctuations in cash flow and to meet emergencies. The cash balance of £10,450 held on unrestricted (including designated) funds at the year end, together with the amounts payable to and by the PCC, was less than half of this target. It is the PCC's hope to increase this over time, as and when investment income recovers.

The balance of £17,050 in the Fabric restricted fund is retained towards meeting the cost of the nave roof repairs detailed above. It is our policy to invest £5,000 of our fund balances with the CCLA Church of England Deposit Fund, and the remainder in the CCLA Church of England Investment Fund.

Optional Information

Information required	What you need to include
Optional Information	This section can be used to thank people for example the volunteers and perhaps to give a special mention to someone for their work. (link to section)

Volunteers

We would like to thank all the volunteers who work so hard to make our church the lively and vibrant community it is. In particular we want to mention our churchwardens Mrs Allen and Mr Tapley who have worked so tirelessly on our behalf and Mrs Neckett who has helped us all to understand the church's accounts and its finances.

Structure, governance and management

Information required	What you need to include
Structure, Governance and Management	This is the information that we think we all know but not everyone does! The question is how is the church organised and who decides what? This is where you explain what the PCC is and how it is elected, its responsibilities, and any sub-committees that have been set up. It needs to include a brief note on any significant transactions with PCC members or closely related persons.

The method of appointment of PCC members is set out in the Church Representation Rules. At St. Emilion's the membership of the PCC consists of the incumbent (our vicar), churchwardens, the reader and members elected by those members of the congregation who are on the electoral roll of the church. All those who attend our services / members of the congregation are encouraged to register on the Electoral Roll and stand for election to the PCC.

The PCC members are responsible for making decisions on all matters of general concern and importance to the parish including deciding on how the funds of the PCC are to be spent. New members receive initial training into the workings of the PCC.

The full PCC met six times during the year with an average level of attendance of 80%. Given its wide responsibilities the PCC has a number of committees each dealing with a particular aspect of parish life. These committees, which include worship, mission and outreach and fabric and finance, are all responsible to the PCC and report back to it regularly with minutes of their decisions being received by the full PCC and discussed as necessary.

Administrative information

Information required	What you need to include
Administration	As the name suggests this is the basic information on the church: <ul style="list-style-type: none"> • The address of the church. • Contact details • The legal standing of the PCC. • PCC membership for the year of this report (ex-officio, elected or co-opted)

St. Emilion’s Church is situated in The Green, Barchester. It is part of the Diocese of Salisbury within the Church of England. The correspondence address is The Vicarage, Church Street, Barchester. The PCC is a body corporate (PCC Powers Measure 1956, Church Representation Rules 2006) and a charity currently excepted from registration with the Charity Commission.

PCC members who have served at any time from 1st January 2010 until the date this report was approved are:

Ex Officio members:

- Incumbent: The Reverend Samuel Weller (Chairman)
- Reader: Mr Robert Sawyer
- Wardens: Mrs Arabella Allen
- Mr Mark Tapley Vice chairman

Elected members:

- Mr Frederick Trent representative on Deanery Synod
- Mr Peter Magnus Secretary, representative on Deanery Synod
- Mr John Fielding representative on Deanery Synod
- Miss Flora Finching (From 5th April 2010)
- Mrs Charlotte Neckett Treasurer
- Mr George Radfoot
- Miss Edith Granger
- Mrs Tilly Slowboy
- Miss Emily Wardle (Until 5th April 2010)
- Mr Mark Walker
- Miss Emma Haredale
- Mr Julius Handford (Until 5th April 2010)
- Miss Elizabeth Hexham
- Mr Ralph Nickleby (From 5th April 2010)

Approved by the PCC on 8th March 2011 and signed on their behalf by the Reverend Samuel Weller (PCC chairman)

2. Receipts and Payments Account

The first financial report shows how the parish's cash was received and spent and how this related to your funds. You can produce a receipt and payment summary for:

1. each fund – summarising all of the cash going in to or out of each fund separately;
2. each type of fund – summarising all of the cash going in to or out of each fund type separately; or
3. all three types of fund combined in a single statement with each type in a separate column.

The recommended option is **option 3**. However, certain information is needed to complete the Receipts and Payments Summary. The following table shows you the questions you need to answer and where the information is put on the report.

Section on the Account	What question is being asked by the section:
Receipts	What cash did you receive? This will include under 'Other receipts' the money you got (if any) from selling any asset, (such as a building or land) or investments.
Payments	What cash did you spend - and on what? This will include under 'Other payments' any money you converted into other valuable assets (such as buying a building or land) or investments.
Excess of receipts (or payments)	Were your receipts more or less than your payments? In other words did the PCC's cash assets increase or decrease?
Transfers	How much money did you move between different funds
Bank balance at beginning of year	How much was in the bank when you started the year?
Bank balance at end of year	How much was in the bank when you ended the year?
Last year's totals for comparison (Although this is not legally required, it is strongly recommended to help the reader better understand the accounts.)	Was this year better or worse than last year and in what way?
All amounts should be rounded to the nearest £.	Remember there is no netting off. Expenses and costs must be shown in full.

In the St Emilions report and accounts you can see how this works in practice:

Financial Statements for the Year Ended 31 December 2010

Receipts and Payments Accounts

	Note	Unrestricted Fund	Unrestricted Designated Fund	Restricted Fund	Endowment Fund	Total 2010	Total 2009
		£	£	£	£	£	£
Receipts							
Voluntary receipts:							
Planned giving		29,400	-	-	-	29,400	27,200
Collections at services		9,900	-	-	-	9,900	10,600
All other giving/voluntary receipts	5a	2,700	-	5,800	-	8,500	7,050
Gift Aid recovered		8,700	-	-	-	8,700	8,300
		50,700	-	5,800	-	56,500	53,150
Activities for generating funds	5b	3,500	-	-	-	3,500	4,250
Investment income	5c	4,600	-	950	-	5,550	5,300
Church activities	5d	5,400	-	-	-	5,400	5,150
Other receipts*		-	-	-	-	-	-
Total receipts		64,200	-	6,750	-	70,950	67,850
Payments							
Church activities:							
Parish share		41,500	-	-	-	41,500	37,050
Clergy and Staffing costs		1,900	-	-	-	1,900	1,800
Church running expenses	5e	13,700	-	1,750	-	15,450	15,250
Hall running costs		1,200	-	-	-	1,200	1,200
Mission giving and donations	5f	2,550	-	1,350	-	3,900	2,550
		60,850	-	3,100	-	63,950	57,850
Cost of generating funds		500	-	-	-	500	500
Governance Costs*		-	-	-	-	-	-
Other Payments*		-	-	-	-	-	-
Total payments		61,350	-	3,100	-	64,450	58,350
Excess of receipts over payments		2,850	-	3,650	-	6,500	9,500
Transfers between funds	4	(2,000)	2,000	-	-	-	-
		850	2,000	3,650	-	6,500	9,500
Cash at bank and in hand at 1 Jan		4,300	3,300	13,400	-	21,000	11,500
Cash at bank and in hand at 31 Dec		5,150	5,300	17,050	-	27,500	21,000

*Note that where there are no amounts to be entered for either of the two years, these headings need not be included. (e.g. Other Receipts, Governance Costs, Other Payments). Categories and account headings within them can be added or removed in the order shown in appendix two as needed. (e.g. Church Activities)

3. Statement of Assets and Liabilities

This report shows the total financial resources of the parish and how they are allocated to funds. The following table shows what information to include in each section:

Statement of Assets and Liabilities	
Section of the Statement	What question is being asked by the section:
Cash	How much money is in the bank / petty cash accounts at the end of the year? The amount shown on the Receipts and Payments Account
Other monetary assets	What other money do you have or is owed to you? This includes such items as: <ul style="list-style-type: none"> • Gift Aid claimed but not yet received. • Loans made by the parish. • Money owed for services or work provided by the parish. • Legacies where entitlement is proved, but the money (or other asset) has not yet been received.
Investments assets	What investments do you have? This includes investments and property or land that brings income to the parish or increases in value. The amount shown is either the deposit balance or the amount paid for the investment. For more information see FAQ 'What do I include as Investment assets and how do I value them?'
Assets retained for Church use.	What other assets of this kind do you have eg land, houses? If you don't know the cost, you can just describe these assets and how long they have been in the ownership of the PCC. You don't have to value them nor show an estimated or insurance value. For more information see FAQ 'What do I include as Assets retained for the charities use and how do I value them?'
Liabilities	What amounts did you owe at the end of the year? This includes such items as: <ul style="list-style-type: none"> • Amount of any loans to the PCC still to be paid back. • Payroll deductions and employer contributions relating to the financial year that are unpaid at the end of the year. • Only money actually owed at the year-end (or the best estimate of it) should be included.
All amounts should to be rounded to the nearest £.	

You can see how the Statement of Assets and Liabilities might look in practice in the St Emillions example:

Statement of Assets and Liabilities								
Cash Funds	Notes	Unrestricted Funds (£)	Designated Funds (£)	Restricted Funds (£)	Endowment Funds (£)	Total 2010 (£)	Total 2009 (£)	
Bank Current Account		400	-	-	-	400	350	
Deposit Fund		4,750	5,300	17,050	-	27,100	20,650	
		5150	5,300	17,050	-	27,500	21,000	
Other Monetary Assets								
Income Tax recoverable		2,240	-	-	-	2,240	-	
Investment Assets								
Investment Fund Shares at market value	3	-	-	-	20,000	20,000	19,500	
Assets retained for Church use	2	59,000	-	-	-	59,000	59,000	
Liabilities - organ clean/tune		-	6,200	-	-	6,200	-	

When you are deciding what needs to be shown as an asset or liability you need to ask yourself is it vital information? This means if you left that information out would it make the financial position harder to understand?

For example at the end of the year you owe a builder £5.00 for wood – this amount will not make a big difference to the church so need not be shown. Your Independent Examiner can give you advice if you are not sure.

Although you are putting a lot of information into these accounts there are often things that you want to explain or add. For example you may need to explain what your funds are given for or any transfers between funds that you made. Or where you don't know the end of year open market value of an asset that isn't a sum of money (e.g. a lease on a building; stocks and shares; a bequest of such assets) you can just give identifying information about the asset, it's condition and use, also its cost (if purchased). You can do all this by adding 'notes' to your accounts.

Notes to the accounts may help the reader to understand the accounts better. For example, you might choose to include further details about payments and receipts e.g. a breakdown of church running costs. There is a balance to be struck between providing useful additional information to the reader, and providing so much detail that it can confuse rather than help. These notes can be written as part of your Statement of Assets and Liabilities or else within the Trustees Annual Report. You can see how this works in practice in the St Emilions reports ([Link](#))

4. Independent Examiner's Report

Who checks our accounts?

As a parish you need to show that your accounts comply with the Charities Act. To do this you have chosen to publish Receipt and Payment accounts summarised from what you have recorded as the cash going into and out of the parish during the year.

At the end of the year you must have the accounts checked by an independent person who is not on the PCC (or any PCC sub-committee) and who understands charity accounting (this applies to all PCCs under Church Regulations). Your Independent Examiner will need to examine the accounts and underlying records within the context of the Annual Report, and provide you with a statutory form of Report on the accounts.

Guidance on recruiting an Independent Examiner, and working with them is available. ([Link](#))

H. What happens next?

The PCC then needs to approve the Trustees' Annual Report, with the accounts and Independent Examiner's Report attached. Note, the accounts are the responsibility of the whole PCC and not just the treasurer. Then the Report and Accounts are ready for a wider audience.

Who do you give the Report and Accounts to?

The accounts are published – put on notice boards within the church at least seven days before the Annual Parochial Church Meeting. As PCC treasurer, you will normally be required to explain the accounts to the Annual Parochial Church Meeting. Copies of these reports are sent to the Diocesan Office with the Parish Return of Finance report.

The accounts are public documents so every member of the public has a right to see them and can request a copy!

I End of year checklists:

Before sending your accounts to the Independent Examiner have you:

Question	Answer
Ensured that you have included all bank accounts and funds relevant to the PCC	The Receipts and Payments Account(s) must include all receipts and payments that the PCC is responsible for. Examples might include youth funds, flower funds, coffee money, lunch clubs etc that have separate bank or cash accounts.
Properly recorded all loose plate giving?	Normal Sunday collections have been recorded as part of the General Fund. Collections made for special purposes have been recorded against the relevant fund(s).
Recorded any money paid out as cash from Sunday collections?	All money collected should normally be banked gross. If a small payment has been made out of cash, this should be recorded as a Petty Cash receipt and then as a Petty Cash payment, with evidence of what the money was used for – shop receipt etc... (The relevant fund(s) must be recorded in each case.)
Recorded all Standing Orders?	Only Standing Orders that have been paid or received within the financial year should be recorded in that year.
Kept all Gift Aid records up to date?	This may be managed by a Gift Aid Secretary.
Recorded the tax reclaimed on Gift Aid?	Any Gift Aid received on money for a specific fund must be allocated to that fund. You may have sent your gift aid claim to the HMRC before the end of the year, but you will only record the gift aid you have received in the bank during the year. The Statement of Assets and Liabilities will record any significant sums of Gift Aid claimed from HMRC, but not yet received.
Properly recorded endowment fund interest?	This has been recorded as income against the restricted fund the endowment relates to or to the General Fund if there were no restrictions. It should not be recorded as income to the endowment funds.
Ensured all payments are properly evidenced	Are all payments supported by receipts, invoices, expense claims, or other paperwork?
Ensured any new designation of funds made by the PCC during the year have been recorded.	If the PCC has decided to designate any of its unrestricted funds during the year, this needs to be recorded.

APPENDIX ONE

What are Funds and Fund types?

Funds are the way in which Charity law requires you to track money given by your donors or received from other sources. Why is the government interested in this? They want people to be confident that the money they give for good causes is not misused or wasted but properly used. And, hopefully, people will then continue to give!

People give to the church for all sorts of reasons. To help track the money it is allocated to a fund. To help you know how to use the money in any particular fund it is also allocated to a 'fund type'. Most of the money a PCC receives will be for spending on the PCC's normal activities. This money is 'Unrestricted Income'. Sometimes the giver will specify the activities that they wish the money to be used for. This money is 'Restricted Income'. Occasionally money may be given for the PCC to retain rather than spend on activities. This money is 'Endowment Capital'.

If you have unrestricted funds which the PCC want to use for a particular purpose, the chosen amount can be earmarked as an unrestricted 'Designated Fund' for that particular purpose. Each time you receive or spend money you need to say which fund it is for. The following table shows what each type of fund is and how it can be used:

The Fund type	Where the money comes from	How it can be used	Where it can be banked	Who decides how the money is used.
Unrestricted Income: The General Fund	Normal Sunday or other collections with no special purpose. Gifts for the Parish. Gift Days for the general work of the parish. Grants for the general work of the parish. Money given for use at the vicar or PCC's discretion.	For the upkeep of the parish. For purposes agreed by the PCC For the Parish Share. For giving to other appeals or charities	In any bank or deposit account so long as it has been recorded as allocated to the General Fund.	The PCC
Unrestricted Designated Funds It remains unrestricted money but is allocated for a particular purpose.	It is money given to the General Fund that the PCC has allocated for a particular purpose	Only for the purpose decided by the PCC	In any bank or deposit account so long as it has been recorded as allocated to a designated fund	The PCC
Restricted Income: Funds given to the PCC to be spent for a specific purpose.	Special collections, gifts and donations, appeals, Gift Days or legacies where the PCC or the Donor has indicated that the money will be used for a specific purpose	Only for the purpose for which it was given	In any bank or deposit account so long as it has been recorded as allocated to the correct restricted fund	The Donor or terms of the Appeal (or in certain situations the Charity Commission), or the PCC with Charity Commission consent.
Endowment Capital: Funds given to the PCC for longer-term retention rather than immediate spending. They are capital funds, but can be unrestricted or restricted purposes as specified by the donor.	Legacies, capital gifts, capital grants, capital appeals	Only for the benefit of the PCC, and restricted to any special purpose for which it was given	In any deposit or investment account so long as it has been recorded as allocated to the general or specific endowment fund as appropriate	The Donor or terms of the Appeal. (if the donor has not indicated that they can only be used for something specific, then the PCC decides)

Hint and Tips:

Where possible use restricted money first. For example if you have a Youth Restricted fund and the bill you are paying is for a youth event it is likely that you can use this fund.

Why is this important? Restricted money can only be used for the purpose for which it was first given. Using restricted money when you can will leave more money in your General Fund. This will give you the greatest flexibility to meet whatever happens later in the year!

When having a Gift Day or appeal if possible make it for the general work of the church – this will give you the most flexibility when using the money.

If you have a specific Appeal or Gift Day make it clear that any extra money will be put into the General Fund. For example if you have an appeal for the roof which is so successful that the roof is repaired with £500 left over unless you have told people that any extra money will go to the General Fund this £500 must remain in the Roof Restricted Fund.

Telling people what you will do if you get too much money (or if so little money that the project has to be aborted) means that they are fully aware of how their money will be used and so have the choice. It will also avoid having restricted money, which you cannot use.

When you claim Gift Aid on donations it must go to the fund to which the original money was given. This means that if a person gives you money for the youth work in the church it is restricted to youth work and so is any Gift Aid you claim on that money.

APPENDIX TWO

Receipt and Payment Account Categories and Headings

The following tables show how each account heading fits into the correct Receipt or Payment category. The table is based on but not identical to, the Annual Return of Parish Finance Categories at appendix three.

Receipt or Payment	Category	Account Heading	Account Description	APR Note #	
Receipts	Voluntary Receipts	Planned giving	Gift Aid – Bank	01	
			Gift Aid - Envelopes	01	
		Collections at Services	Other planned giving	02	
			Loose plate collections	03	
			Special collections	03	
		All other giving / voluntary receipts	Gift Days	04	
			Giving through church boxes	04	
			Donations appeals etc	05	
			Cash received from Legacies	07	
			Recurring grants	08	
	Activities for generating funds	Gift Aid recovered	Non-recurring one-off grants	08A	
			Gift Aid recovered	06	
	Investment Income	Fund Raising	Church fetes etc	09	
			Parish Magazine - advertising	12	
			Income from Investments	10	
	Church Activities	Receipts from church activities	Dividends	10	
			Bank and building society interest	10	
			Rent from lands or buildings owned by the PCC.	10	
			Fees for weddings and funerals	11	
			Bookstall & magazine sales	12	
Other Receipts	Other receipts	Church hall lettings – objects related	12		
		Insurance claims	13		
		Sales of fixed assets	13		
		Other funds generated e.g sale of investments	13		
Payments	Church Activities	Parish Share	Parish share	19	
			Clergy and Staffing costs	Salaries and wages of parish staff	20
				National Insurance of parish staff	20
		Pension Contributions of parish staff		20	
		Working expenses of clergy		21	
		Council tax		21	
		Parsonage house expenses		21	
		Water rates - vicarage		21	
		Clergy telephone		21	
		Visiting speakers / locums		23	
		Church Running Expenses		Education	21 22
				Parish training and mission	22
				Church running - insurance	23
				Church office - telephone	23
				Organ / piano tuning	23
				Church maintenance	23
			Cleaning	23	
			Upkeep of services	23	
			Upkeep of churchyard	23	
			Printing, Postage & Stationery	23	
			Church running – electric, oil & gas	24	
			Church running - water	24	

		Magazine expenses	25
		Other Church Running Expenses	23
	Hall Running Costs	Hall running – oil	25
		Hall running – electricity	25
		Hall running – gas	25
		Hall running - insurance	25
		Hall running - maintenance	25
		Hall running - telephone	25
		Hall running – water	25
	Church Repairs & Maintenance	Church major repairs - structure	27
		Church major repairs - installation	27
		Church interior and exterior decorating	27
	Hall Repairs & Maintenance	Hall + major repairs - structure	28
		Hall + major repairs - installation	28
		Hall + interior and exterior decorating	28
	Mission Giving and Donations	Other PCC property upkeep	28
		Giving to missionary societies	18
		Giving - relief and development agencies	18
		Other donations to support wider mission work outside the Parish.	18
Cost of generating funds	Fund Raising Activities	Fees paid to fund raisers	17
		Costs of applying for grants	17
		Costs of stewardship campaign	17
		Costs of fetes & other events	17
		Investment management costs	17
Governance Costs	Governance Costs	Independent Examination Costs	26
		Costs of trustee training/Pcc meetings	26
Other Payments	All Other payments	Purchase of Investments	
		Purchase of fixed assets for church purposes	
		Loan repayments	
		Transfers to term deposits	
	<i>– include in above</i>	Purchase of new staff housing	29
		New Building work on Church	29
		New Building work on Church Hall	29
Cash at Bank and in Hand		Bank current account	
		Bank deposit account	
		CCLA deposit account	
		Cash in hand	

APPENDIX THREE

Church of England Annual Return of Parish Finance Receipts & Payments Categories

Receipts Categories:

Main Category	Which includes	More information on what to include	APR Note #
Voluntary receipts	Tax-efficient planned giving*	Money that is given regularly under Gift Aid through a standing order, by envelope scheme, or by cheque. Figures should be net, i.e. excluding any tax recovered. Also include money given through charity vouchers (gross amount) e.g. CAF or Sovereign Giving and money given through Payroll Giving (gross amount).	01
	Other planned Giving*	Money given regularly without Gift Aid through standing order, by envelope scheme, or by cheque.	02
	Collections at Services (On the APR this only refers to loose cash collections at service)	Collections at Sunday, midweek, wedding, baptism and funeral services, and Sunday schools. Include one-off gifts given in collections at services through Gift Aid envelopes (net amount), but exclude money given through planned giving envelopes. Do NOT include collections that go directly to a charity and do not 'go through the PCC books' e.g. Christian Aid Week. Other collections for a specific charity are restricted income	03
	Other Recurring Giving /Donations*	Proceeds of annual Gift Days, money given in church boxes and wall safes, and other ad-hoc donations from individuals which are likely to recur in future years.	04
	Non-Recurring Giving / Donations*	Include one-off donations given outside services. Include the proceeds of all special appeals (which are usually restricted), but also one-off Gift Days for general funds. Include gifts of shares at market value.	05
	Tax recovered through Gift Aid*	The amount of tax recovered from HMRC on all money given to the PCC under Gift Aid. This should be split between Gift Aid recovered on restricted and unrestricted donations and allocated to the appropriate fund.	06
	Legacies Received*	The capital amount of a legacy, together with interest from the probate process, should be recorded in the year(s) that it appears in the accounts. (Note that the legacy may have been included as an asset in last year's Statement of Assets and Liabilities.) Any interest from legacy investments should be recorded as income from investments	07
	Income from Grants	External grants received from trusts and other funding bodies for the PCC's general fund or for a restricted purpose. Include VAT recovered through the Listed Places of Worship scheme. This does not include transfers within a benefice.	08
Activities for generating funds	Fund Raising	Money raised from sponsored activities, jumble sales, fetes, and other activities where the primary purpose is fund-raising. Income should be stated gross, and any costs must be recorded separately as payments.	09
	Income from investments	Bank and other deposit interest including any reclaimed tax on investment income. Include dividends from shareholdings. Include rent received from land or buildings owned by PCC.	10
	Church activities	Statutory Fees retained by PCC Bookstall, hall lettings, magazine sales etc PCC Fees for weddings, funerals etc. Do not include fees due to the clergy and organist etc. as these are not PCC funds. Income received by the PCC from trading activities including bookstall, letting of the church hall, sales and advertising of church magazines. Income received from other church activities which are not fundraising activities eg membership fees for groups, payments for events etc. All trading receipts must be stated as gross figures. The costs must be recorded separately as payments.	11 12
Other receipts	All other receipts. These are often 'capital' in nature: sale of buildings, investments, insurance claims, transfers from term deposits, loans received, repayment of loans made by the church to others; but will also include contributions from other churches in the benefice to shared costs.	13	

Payment Categories:

Main Category	Which includes	More information on what to include	APR Notes #	
Costs of generating income	Fund raising activities	Include the costs of fundraising events, which have contributed to the income recorded in Fundraising income box above. Also include fees paid to a professional fund-raiser, the costs of a Christian Stewardship campaign and the costs of supporting regular giving e.g. envelopes.	17	
Church Activities	Mission Giving and Donations	Include donations to external missions and charities that come from the PCC's receipts. Collections that go directly to external charities should not be included.	18	
	Diocesan parish share	All payments made during the year, whether for current, or previous years Share.	19	
	Salaries, wages and honoraria	All payments to assistant staff, youth worker, verger, administrator, sexton, organist and choir. Include NI/Pension costs where applicable.	20	
	Clergy and staff expenses	Working expenses of the incumbent: e.g. telephone, postage, stationery, travel costs (car and/or public transport), secretarial assistance, office equipment, maintenance of robes, hospitality. Assistant staff: Include costs, as for the incumbent, that are associated with expenses incurred by assistant clergy, pastoral staff and youth workers. Housing: all costs relating to clergy/staff housing paid by the PCC. (including where applicable repair costs, water rates, council tax, & redecoration).	21	
	Church Expenses		Mission and Evangelism: cost of outreach, courses, excluding staff salaries	22
			Routine repairs and maintenance.	23
			Insurance	
Miscellaneous: cleaning materials etc church /office phone. Churchyards all costs involved in their maintenance. Upkeep of services: organ tuning, worship materials, choir robes etc				
Church utility bills: total costs of electricity, gas, oil, water etc			24	
		Costs of trading – include the costs associated with the receipts for bookstall, hall lettings, magazine income etc.	25	
		Major church repairs: incl repairs that are not routine and internal and external decoration.	27	
		Major repairs to other PCC property: incl repairs that are not routine and internal and external decoration.	28	
		New building work: new buildings, major alterations and extensions to church or other PCC property and including all associated professional fees and expenses	29	
Governance costs	Governance	Costs relating to the governance of the PCC, including any fees for audit or Independent Examination, training of PCC members in their role of Trustees, the production of the annual report, hire charges for any PCC meetings etc.	26	
Other payments (incl purchase of FA & investments)	All other payments	All other payments not included above but mainly of a 'capital' nature: Purchase of fixed assets for church purposes. Purchase of investments. Transfers to term deposits. Loans made & repayments of loans etc		