

THE UNITED REFORMED CHURCH

GUIDANCE ON CHURCH ACCOUNTS UNDER SORP 2005 [Income & Expenditure account - proforma]

Why is new guidance important now?

- the new "Accounting and Reporting by Charities: Statement of Recommended Practice" (SORP 2005) applies to all charity accounts for the accounting period commencing on or after 1 April 2005. For most of our churches this will be their year end to 31 December 2006.
- with the ending of the excepted charity status in the near future (probably early in 2008), all churches become liable to have to register directly with the Charity Commission. Initially this will affect churches with income (from all sources) in excess of £100,000 p.a., but most churches will increasingly be affected over the next few years. Once registered, churches will have to submit their independently scrutinised Annual Report and Financial Statements to the Charity Commission.
- in this changing world we want to encourage best practice in church accounts across the denomination.

These guidance notes will help all our churches prepare for these times.

Who uses Income and Expenditure (full accruals) accounts?

The Income and Expenditure (full accruals) accounts must be used by churches with total income in excess of £100,000 p.a. (i.e. excluding asset disposals and loans received). The layout for the I&E accounts is more prescriptive in SORP 2005. The I&E accounts will also be used by those smaller churches that do not opt to use the Receipts and Payments accounts.

Who can still use Receipts and Payments accounts?

Only churches with total income under £100,000 p.a. (i.e. excluding asset disposals and loans received) can opt in to using the simpler R&P accounts. A separate guidance note has been written to help those churches. In fact this only applies to our churches in England and Wales, as our churches in Scotland are operating under a slightly different regime with a threshold of £25,000 - the Synod of Scotland is writing its own guidance for them.

How to use this guidance note for Income & Expenditure accounts

Attached is a proforma model set of I&E accounts for a United Reformed Church. Also available is a worked example based on a fictional Fullaccounts URC

All church income and expenditure for the year, from whatever source or account, should be included. Do not net off - show everything gross. Bank balances should be adjusted for unrepresented items to reconcile with the church records.

SORP 2005 requires Fund Accounting to be adopted, where appropriate, as described in Note 1b to the proforma.

The essence of good church accounts is clarity: your church accounts must relate to your situation and your activities; so, you should modify the presentation to suit your church within this framework. For instance, an item which is significant to your church, but not shown on this model set, should be shown separately to draw appropriate attention to it. Similarly, some items appearing on this proforma won't appear on the worked example because they do not apply to that fictional church at Fullaccounts.

The proforma model and worked example also remind you that the I&E based financial statements are prepared by the church treasurer, on behalf of the church, independently examined in accordance with Charity Commission directions, and then approved by church meeting. Churches with annual income in excess of £250,000 must be subject to a full audit by a registered auditor (this threshold will go up to £500,000 when that part of the Charities Act 2006 is enacted, after which an independent examiner for accounts over £250,000 will have to be qualified to do so).

Further guidance

This guidance can be found on the URC website. Updates will be posted on the URC website from time to time.

Hard copies of this guidance and the proforma models and worked examples are available from Synod offices in England and Wales (and the Synod of Scotland office for their own guidance). Synod Finance Officers and Treasurers (or your local equivalent) will be pleased to help church treasurers take all this on board.

Attached to this guidance are some other useful and important links for further information.

Acknowledgements

This guidance has been prepared by John Woodman and members of the church's national Finance Committee, with the encouragement of Synod Treasurers and Finance Officers. We are all grateful to them for doing this voluntarily for the benefit of all our churches and church treasurers.