

4. Unified Statement of Connexional Finances

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| Contact Name and Details | Maureen Sebanakitta, Director of Financial Operations Email: sebanakittam@methodistchurch.org.uk |
| Resolution | 4/1. The Conference received the Report as the Unified Statement of Connexional Finances required by SO 360. |

Summary of Content

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| Subject and Aims | Summary extracts of the full consolidated accounts of the Methodist Church in Great Britain for 2012/13 adopted by the Methodist Council and presented to the Conference as the unified statement of connexional finances required by Standing Order 360. |
| Main Points | These accounts consolidate figures for a wide variety of Methodist activities and entities; together they had income of £47.2m and expenditure of £50.3m. At the end of the year, the Church recorded a net deficit before transfers and revaluations of £3 million (2012: £7.8 million surplus). Total incoming resources for the year were £47.2 million, up 4% on the previous year. Total resources expended increased by 33% to £50.3 million (£37.8 million in 2012). |
| Background Context and Relevant Documents | <p>When the Methodist Church in Great Britain was registered with the Charity Commission it was agreed that the accounts of the registered charity would be those of the Methodist Council. The full consolidated accounts were presented to the Council and adopted by the Council under SO 212(1) on 29 January 2014. They are available for scrutiny on the Methodist Church website and in printed form from the contact named at the head of this Report.</p> <p>Under SO 360 the Council has to present to the Conference a "unified statement of connexional finances.... so as to give an overall view of those moneys and other assets for which the council is responsible".</p> <p>This Report consists of extracts from the full consolidated accounts which provide a summary of them to meet that requirement. It is submitted to the Conference as the trustee body of the registered charity.</p> |

1. **Strategic objectives, aims and purposes of the Methodist Church in Great Britain**

The activities covered in these accounts fall within the work of the Methodist Church. The strategic objectives of The Methodist Church in Great Britain (“The Methodist Church”) are directly linked to its aims. They are:

- Worship – to increase awareness of God’s presence and to celebrate God’s love;
- Learning and Caring – to help people to learn and grow as Christians, through mutual support and care;
- Service – supporting community development and action for justice, especially among the most deprived and poor - in Britain and worldwide; and
- Evangelism – developing confidence in evangelism and in the capacity to speak of God and faith in ways that make sense to all involved.

2. **Public benefit requirement**

The trustees of The Methodist Church had due regard to the public benefit guidance published by the Charity Commission in compliance with its duties under section 17 of the Charities Act 2011.

This guidance sets out two key principles:

- The organisation must have an identifiable benefit.
- The benefit must be to the public or a section of the public.

The Church exists, inter alia, to:

- increase awareness of God’s presence and to celebrate God’s love;
- help people to learn and grow as Christians, through mutual support and care;
and
- be a good neighbour to people in need and challenge injustice.

The trustees consider that for these reasons the charity meets these public benefit requirements.

3. **Financial review**

The activities covered in these consolidated accounts are those under the oversight of the Methodist Council. The Methodist Church in Great Britain is the registered charity and the Charity Commission have agreed that these accounts can properly serve as the accounts of the charity.

At the end of the year, the Church recorded a net deficit before transfers and revaluations of £3 million (2012: £7.8 million surplus). Total incoming resources for the year were £47.2 million, an increase of 4% compared to the previous year. Total resources expended increased by 33% to £50.3 million (£37.8 million in 2012).

4. **Incoming resources**

The main sources of charitable income are voluntary income (donations and legacies) and the district assessment. Together these account for 49% of all incoming resources.

Total income increased by 4%, mainly due to significant gains from the disposal of the freehold properties at Wesley College, Bristol. Income from grants and property levies fell by 33% due in the main to a decline in property sales across the Connexion.

Table 1: Total Income 2013

| | 2013 | 2012 | % Change |
|--|-------------|-------------|-----------------|
| | £m | £m | |
| District assessment | 12.3 | 11.9 | +3% |
| Voluntary income | 10.8 | 11.0 | -2% |
| Fundraising trading | 6.7 | 6.5 | +3% |
| Grants and property levies | 5.7 | 8.5 | -33% |
| Investment income and interest | 4.9 | 4.4 | +11% |
| Net gains on the disposal of tangible fixed assets | 4.5 | 1.5 | +200% |
| Other income | 2.3 | 1.7 | +35% |
| Total incoming resources | 47.2 | 45.5 | +4% |

Whilst the voluntary income figure is smaller than for the previous year, underlying growth is strong. This is thanks to the generosity of our members in the Local Churches, Circuits and Districts; for the first time in three years we have seen increases in donations and legacies as indicated in Table 2 below. Legacy income rose by 320% to £4.2 million and donations increased by 8% to £6.5 million. Further, if we eliminate the impact of the first time consolidation of Southlands Methodist Trust in 2012, then we see a significant increase in voluntary income of 53%.

This year we also included the net assets of The Oxford Institute of Methodist Theological Studies worth £0.1m.

Table 2: Voluntary Income 2013

| | 2013 | 2012 | % change |
|--|-------------|-------------|-----------------|
| | £m | £m | |
| Donations | 6.5 | 6.0 | +8% |
| Legacies | 4.2 | 1.0 | +320% |
| The Oxford Institute of Methodist Theological Studies / Southlands Methodist Trust | 0.1 | 4.0 | -98% |
| Total voluntary income | 10.8 | 11.0 | -2% |

Investment income and interest rose by 11%, a real achievement in tough economic times. The value of our investments increased by £9.7 million compared to an increase of £7.1 million in 2012. We expect market volatility to continue given the current economic environment. However we are currently pursuing a total return policy which seeks growth in both income and capital in the long term rather than focusing on short term gains and losses.

5. Charitable expenditure

During the year we spent £50.3 million to pursue the Church's mission, an increase of 33% compared to the previous year. Of this, £41.9 million was spent directly on charitable activities. This includes all amounts spent in furtherance of our mission as summarised in Table 3 below.

Table 3: Charitable Expenditure

| | 2013 | 2012 | % Change |
|---|-------------|-------------|-----------------|
| | £m | £m | |
| Equipping the Church to engage society | 12.1 | 13.9 | -13% |
| Formation, training, development and resourcing | 13.4 | 9.7 | +38% |
| Empowering the ministry of overseas partners | 15.1 | 6.6 | +129% |
| Advocacy and education | 1.3 | 1.1 | +18% |
| Total expenditure on charitable activities | 41.9 | 31.3 | +34% |

- During the year, we spent £12.1 million on “Equipping the Church to engage society”, a reduction of 13% compared to 2012. This reduction is due to the new grant making criteria which assess applications for both eligibility and impact.
- We also wrote down the net assets of Methodist Women in Britain worth £0.614 million. This self accounting entity is no longer included in the accounts of the Methodist Church in Great Britain as its trustees are not appointed by the Methodist Conference. If the impact of this write down is isolated, then the reduction in expenditure on “Equipping the Church to engage society” is 9%.
- As a grant making organisation, a significant proportion of our total expenditure budget is set aside for grants. Out of the aforementioned £41.9 million direct charitable expenditure, £19.8 million was either committed or paid during the year as grants.
- We spent £13.4 million on “Formation, training, development and resourcing”, an increase of 38% from 2012. This includes the transitional costs incurred in setting up the Discipleship and Ministries Learning Network.
- £15.1 million was spent on “Empowering the ministry of overseas partners”, an increase of 129% compared to 2012; there are two reasons for this increase. Firstly, our grant making policy for overseas mission grants moved from a one to a three year rolling grants system. Secondly, for the first time, an actuarial assessment of the liabilities of the Superannuation Scheme for Lay Mission Partners has been included in the accounts at a cost of £2.26 million. The Scheme, which is unfunded, is now closed to new members.
- Expenditure on Advocacy and education increased by 18% to £1.3 million. During the year we ran a number of campaigns including the Mission in Britain Advent Appeal as well as the continual supply of key publications such as Mission Matters, World Mission Fund 2013, Mission in Britain Fund 2013 and the Methodist Prayer Handbook which are used locally for fundraising and worship purposes.

6. Investments

As at 31 August 2013, we held fixed asset investments with a market value of £142 million (2012: £130 million). Our investments reported net gains of £9.7 million in 2013. The Investment Committee regularly reviews our investment portfolio and performs an annual review of our investment policy. Our investment objective is to seek an optimal return from income and capital combined. The Investment Committee is satisfied with the overall performance of the investment portfolio against agreed benchmarks.

Consolidated Statement of Financial Activities for the year ended 31 August 2013

| | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | 2013 Total £000 | 2012 Total £000 |
|--|-------------------------------|-----------------------------|----------------------------|-----------------------|-----------------------|
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| District Assessment | 12,340 | - | - | 12,340 | 11,929 |
| Voluntary income | 1,248 | 9,558 | - | 10,806 | 11,058 |
| Investment income and interest | 1,328 | 3,604 | - | 4,932 | 4,358 |
| Activities for generating funds | | | | | |
| Fundraising trading | 832 | 5,917 | - | 6,749 | 6,535 |
| Incoming resources from charitable activities | | | | | |
| Capital levies and grants | 5,099 | 577 | - | 5,676 | 8,487 |
| Other income | 1,127 | 1,177 | - | 2,304 | 1,743 |
| Other incoming resources | | | | | |
| Gain on the disposal of tangible fixed assets | - | 4,470 | - | 4,470 | 1,475 |
| Total incoming resources | 21,974 | 25,303 | - | 47,277 | 45,585 |
| Resources expended | | | | | |
| Costs of generating funds | | | | | |
| Costs of generating voluntary income | 294 | 15 | - | 309 | 380 |
| Fundraising trading | 664 | 3,385 | - | 4,049 | 2,897 |
| Investment management | 118 | 132 | 12 | 262 | 227 |
| Total costs of generating funds | 1,076 | 3,532 | 12 | 4,620 | 3,504 |
| Charitable activities | | | | | |
| Equipping the Church to engage society | 7,366 | 4,700 | - | 12,066 | 13,871 |
| Formation, training, development and resourcing | 8,733 | 4,717 | - | 13,450 | 9,663 |
| Empowering the ministry of overseas partners | 1,375 | 13,701 | - | 15,076 | 6,618 |
| Advocacy and education | 1,220 | 78 | - | 1,298 | 1,117 |
| Total charitable activities | 18,694 | 23,196 | - | 41,890 | 31,269 |
| Governance costs | 2,885 | 53 | - | 2,938 | 3,031 |
| Loss on the disposal of tangible fixed assets | 325 | 510 | - | 835 | - |
| Total resources expended | 22,980 | 27,291 | 12 | 50,283 | 37,804 |
| Net incoming / (outgoing) resources before transfers | (1,006) | (1,988) | (12) | (3,006) | 7,781 |
| Gross transfers between funds | 227 | (249) | 22 | - | - |
| Net incoming / (outgoing) resources after transfers and before other recognised gains | (779) | (2,237) | 10 | (3,006) | 7,781 |
| Gains on revaluations and disposals of investment assets | 2,356 | 6,404 | 977 | 9,737 | 7,137 |
| Net movement in funds | 1,577 | 4,167 | 987 | 6,731 | 14,918 |
| Total funds brought forward as at 1 September | 44,105 | 95,887 | 14,024 | 154,016 | 139,098 |
| Total funds carried forward as at 31 August | 45,682 | 100,054 | 15,011 | 160,747 | 154,016 |

The Methodist Church in Great Britain Balance Sheets as at 31 August 2013

| | 2013 | 2012 |
|---|-----------------------|-----------------------|
| | £000 | £000 |
| Fixed assets | | |
| Tangible assets | 24,429 | 25,031 |
| Investments | 141,535 | 130,402 |
| | <u>165,964</u> | <u>155,433</u> |
| Current assets | | |
| Stocks | 128 | 165 |
| Asset held for sale | - | 700 |
| Debtors | 5,475 | 5,813 |
| Short term deposits | 12,459 | 8,607 |
| Cash at bank and in hand | 2,644 | 3,609 |
| Total current assets | <u>20,706</u> | <u>18,894</u> |
| Creditors | | |
| Amounts falling due within 1 year | (13,195) | (10,942) |
| | <u>7,511</u> | <u>7,952</u> |
| Net current assets | <u>13,195</u> | <u>7,952</u> |
| Total assets less current liabilities | <u>173,475</u> | <u>163,385</u> |
| Creditors | | |
| Amounts falling due after more than 1 year | (10,468) | (9,369) |
| Net assets excluding pension liability | <u>163,007</u> | <u>154,016</u> |
| Defined benefit pension scheme liability | (2,260) | - |
| Net assets including pension liability | <u>160,747</u> | <u>154,016</u> |
| Funds | | |
| Unrestricted funds | 45,682 | 44,105 |
| Restricted funds | 100,054 | 95,887 |
| Endowment funds | 15,011 | 14,024 |
| Total funds | <u>160,747</u> | <u>154,016</u> |

Please follow this link to view the accounts online: <http://www.methodist.org.uk/ministers-and-office-holders/finance-and-treasurers/financial-accounts-trustees-report>

7. Provision of information to the auditor

So far as the trustees are aware, there is no relevant audit information of which the Charity's auditor is unaware. The Trustees have taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

8. Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) observe the methods and principles in the Charities SORP;
- c) make judgments and estimates that are reasonable and prudent;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

9. Auditor

A resolution proposing the re-appointment of Baker Tilly UK Audit LLP as auditor to the charity will be put to the Methodist Council.

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.



**The Reverend David Gamble
Chair of the Council**

30 January 2014

*****RESOLUTION**

- 4/1. The Conference received the Report as the Unified Statement of Connexional Finances required by SO 360.**

Independent Auditor's Report to the Trustees of The Methodist Church in Great Britain

1. We have audited the financial statements of The Methodist Church in Great Britain for the year ended 31 August 2013 on pages 31-61. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
2. This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

3. As explained more fully in the Statement of Trustees' responsibilities set out on page 28 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.
4. We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

5. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

Opinion on financial statements

6. In our opinion the financial statements:
 - give a true and fair view of the state of the group's and charity's affairs as at 31 August 2013 and of their incoming resources and application of resources for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

7. We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:
 - the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
 - the parent charity has not kept sufficient accounting records; or

- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Hartwell House
55 – 61 Victoria Street
Bristol, BS1 6AD

Date: 4 March 2014