

Christian Congregation of Jehovah's Witnesses



The Ridgeway, London, NW7 1RN Telephone: 020 8906 2211

TAE:TAG July 23, 2012

TO ALL BODIES OF ELDERS IN ENGLAND AND WALES

Re: Congregation annual accounts—Charity Commission requirements

Dear Brothers:

As the congregation accounting instructions and forms were revised recently, we would like to provide updated guidance for producing the annual accounts. This letter replaces the letter dated TAB January 29, 2010, to all bodies of elders in England and Wales regarding congregation annual accounts. That letter, along with the accompanying guidance notes and sample forms, should be removed from the congregation's file of letters and be destroyed. ***Please note, this guidance is only applicable to congregations that are registered as charities. If your congregation is not a registered charity, no annual accounts need to be prepared.***

Included with this letter are Guidance Notes and sample forms that your congregation and Kingdom Hall Operating Committee (if applicable) can use as a guide. These samples are not intended to be definitive forms that you must use, but are provided as suggested templates that you may choose to adapt to your own needs. Please keep all of these in the congregation's file with other letters related to accounts.

We hope the information enclosed will help to answer your questions relating to your obligations as a registered charity. Should you have further questions, please write to us rather than telephone as this helps us to give a better service to congregations generally. We commend you for your fine efforts to comply with these legal requirements.

Your brothers,

*Christian Congregation
of Jehovah's Witnesses*

Encl.

PS to the secretary: This letter should be retained in the congregation file with other letters relating to accounts.

Guidance Notes—Congregation Annual Accounts

Requirements for Registered Charities

Each year the trustees need to prepare financial accounts for the year ended March 31, which are essentially an analysis of the incoming and outgoing cash for that year. There is no statutory format for these receipts and payments accounts in England and Wales. Therefore the trustees have a great deal of flexibility in how they choose to prepare these accounts. The following guidance will help you prepare accounts that meet the Charity Commission’s recommended minimum levels of accountability, but should not be seen as the only correct way of preparing the accounts. The trustees may wish to provide more or less detail in their accounts. We have prepared some simple Excel spread sheet samples that can be used as a basis for preparing your congregation’s accounts if you wish.

We recommend that you also read the Charity Commission publication “Receipts and Payments Accounts Introductory Notes” (CC16b), especially if you choose to use your own format for the accounts.

1. Annual Receipts and Payments Account

A. Your Congregation has sole use of a Kingdom Hall

Insert the congregation’s name, HMRC reference number (used for Gift Aid claims), the registered charity number and the year of the accounts (if using the sample Excel spread sheets, you can enter this on the “Data” tab, and the reports will be completed automatically).

Start to prepare the accounts by summarizing the 12 monthly *Congregation Financial Reports* (on the front page of the S-30 *Congregation Accounts Report*). Create an annual total for each category of income and expense (e.g. Total amount received for Local Congregation Expenses, Total amount donated for KHAA, TOAA, Total Kingdom Hall operation and maintenance payments). Put these totals into an appropriate place on the Annual Receipts and Payments Account. Most congregations should be able to categorize everything under the following headings:

Receipts

Voluntary sources

- All donations for the congregation (including those made by standing order or under the Gift Aid arrangement);
- Gift Aid reclaimed from HMRC;
- Legacies received.

Investment income

- Any interest received or similar.

Other receipts

- Any receipts not covered by the other categories (very rare).

Receipts resulting from movements on assets and investments

- Loans received from Watch Tower or individuals;
- Sales of fixed assets;
- Sales of investments,
- See CC16b for further information.

Payments

Costs of charitable activities

- Any donations to Watch Tower (KHAA, WWW, KHCW, TOAA) made from congregation funds (by resolution);
- Kingdom Hall operation and maintenance expenses (utilities, telephone, repairs, re-decoration, refurbishment);
- All other congregation expenses (other than those included below).

Payments resulting from movements on assets and investments

- Loan repayments to Watch Tower;
- Fixed assets purchased (land and buildings, electrical equipment).
- See CC16b for further information.

Guidance Notes—Congregation Annual Accounts

Requirements for Registered Charities

Page 2

After listing all the receipts and payments, there is a line for you to show the net receipt or payment for the year (this is calculated automatically in the spread sheet provided). Next, insert the figure for Total cash assets brought forward (this should be equal to the figure carried forward from the previous year and the “Total funds at beginning of month” from the first *Accounts Report* (S-30) Reconciliation of the year).

Please note: The right-hand column for the previous year is not mandatory. It could be used to show the equivalent figures for the previous year if the trustees want to do so.

B. Your congregation shares a Kingdom Hall but does not record ownership of the Kingdom Hall property

Follow the same instructions as for the section above but note that the operating committee will account for all outgoings on the Kingdom Hall. Donations made by your congregation to the operating committee account can be shown under Costs of Charitable Activities.

C. Your congregation shares a Kingdom Hall and records ownership of the Kingdom Hall property

Start by preparing annual accounts for your congregation and the operating committee separately. The congregation’s accounts can be prepared using the instructions for the previous section, **1B**.

The Kingdom Hall Operating Committee should also draw up an *Annual Receipts and Payments Account*. It would be beneficial to use a similar format as that used for congregations, as explained in the previous sections. Donations received from all the congregations sharing the Kingdom Hall can be shown as Receipts—Voluntary Sources (it will be advantageous to show the donations from each congregation separately, as this will assist with the next stage). As with congregation Annual Receipts and Payments Accounts, it should be possible to verify the arithmetic of the report by checking that the “Total Cash Assets” at the beginning and end of the year agree to those shown as “Funds” on the *Monthly Accounts Reports* (S-44).

Once the reports have been completed they need to be combined to produce the total for your congregation. ***It is this combined version that will be the charity’s accounts for the year.*** To do this, add each line of the two accounts together to form a combined *Annual Receipts and Payments Account*, subject to the following exceptions:

- For the receipts, exclude the amount donated from your congregation to the operating committee;
- For the Kingdom Hall running costs, exclude the amount donated from your congregation to the operating committee.

These exceptions are necessary to cancel out the donations from your congregation to the operating committee account. While the congregation and the operating committee keep separate accounting records, they are both part of the same charity, so payments between the two are effectively just internal transfers and should not be shown on the accounts.

2. Annual Statement of Assets and Liabilities

Please note that all references to the Kingdom Hall property as assets and Kingdom Hall loans as liabilities apply only to the congregation named in the Loan Agreement and Title Deeds. Other congregations using the hall should not mention these figures at all.

As with the Receipts and Payments Account, the column for the previous year is not mandatory.

Guidance Notes—Congregation Annual Accounts

Requirements for Registered Charities

Page 3

With each of the sections of the report, you can choose to show just the total figure, or a breakdown of all the individual amounts making up the total.

Cash Funds

This is to show the total amount of cash assets held by the congregation (and operating committee, if your congregation records ownership of the Kingdom Hall). This would include bank accounts, cash in hand at the year end and amounts on deposit with the branch office. As indicated on the sample form, it should agree with the Receipts and Payments Account.

Other Monetary Assets

This would show any amounts owing to the congregation at the year end, such as tax claimed under Gift Aid but not yet received or a legacy that has not yet been received.

Assets Retained for the Charity's Own Use

Please include the Kingdom Hall (if your congregation records ownership of it) and any other significant assets owned by the congregation (e.g. sound equipment, fixtures and fittings). If the cost price is known, then you can show the assets at cost. It is also possible to show the assets at valuation. The trustees can take any reasonable approach in calculating a valuation (e.g. insurance value, approximate market value), but it would be good to make a note at the bottom of the statement (above the signatures) listing the assets shown at valuation and the approach taken.

Investment Assets

You are very unlikely to need to use this section. However, any stocks, shares or similar assets held in the name of the congregation can be shown here.

Liabilities

Examples of sums due for immediate payment would be bills dated before the financial year end that have not yet been paid or loans that the congregation owes to others (including Kingdom Hall loans owed to the branch office).

Kingdom Hall Operating Committee

The Kingdom Hall Operating Committee will also complete an *Annual Statement of Assets and Liabilities* which will include assets and liabilities relating to the Kingdom Hall and any other property owned. This annual statement will be combined with the title-holding congregation's *Annual Statement of Assets and Liabilities* in a similar manner to the *Annual Receipts and Payments Account*. In this case, the reports for the congregation and the operating committee can just be added together, excluding only any amounts owing between your congregation and the operating committee (although it is very unlikely there will be any). ***Again, it is the combined version that forms the charity's Annual Statement of Assets and Liabilities for the year.***

3. Calculating Income Level for Disclosure Purposes

It is important to know how to calculate what constitutes income for disclosure purposes as various monetary thresholds require different treatment by the charity.

Certain receipts and payments can be excluded from income when calculating which income band the charity falls into. For instance, money you collect in the boxes for IBSA and Watch Tower Bible and Tract Society of Britain should already be excluded. Additionally, there are several other exclusions that you should be aware of as follows:

Guidance Notes—Congregation Annual Accounts

Requirements for Registered Charities

Page 4

Exclude from Income:

- Proceeds from sale of assets (e.g. old sound equipment, chairs);
- Any loans received;
- Any loan repayments made to you (e.g. from another congregation).

These appear as “Receipts resulting from movements on assets and investments” on your *Annual Receipts and Payments Account*.

From this you will see that you need count as income only outright gifts to local congregation funds from all sources, any tax refunds on Gift Aid donations and any investment interest or rent received. However, please note that these exclusions only apply in calculating which income category the charity falls into as shown below. They must still feature in your accounts.

Gross Income of £25,000 or less

You must prepare the *Annual Receipts and Payments Account*, the *Annual Statement of Assets and Liabilities*, and the Trustees’ Annual Report. These are not submitted to the Charity Commission. The Charity Commission do, however, require that you complete and submit either an Annual Return, if your gross income exceeds £10,000, or an Annual Update form.

Gross Income over £25,000 but not exceeding £250,000

In addition to preparing the accounts, the Trustees’ Annual Report, and the Annual Return mentioned above, the Charity Commission requires that your accounts be examined by an independent examiner. This will include the operating committee accounts if these are part of the congregation accounts. You must then submit the annual accounts and the Trustees’ Annual Report to the Charity Commission.

Who may be suitable to be an independent examiner? We recommend that you refer to the guidance provided by the Charity Commission on this matter, in their document CC32 “Independent Examination of Charity Accounts: Examiners’ Guide” (downloadable from the Charity Commission website). This explains the degree of independence, the skill set and degree of experience expected of whoever is chosen as independent examiner.

Gross Income over £250,000, but not exceeding £500,000, and gross assets not exceeding £3.26m

Contact us for further instructions, as your accounts will need to be prepared on an accruals basis, and the independent examiner must be suitably qualified.

Gross Income exceeds £500,000 or gross assets exceed £3.26m and gross income exceeds £250,000.

Contact us for further instructions, as your accounts will need to be audited by a registered auditor, not just an independent examiner.

**The Anytown Congregation of Jehovah's Witnesses
Annual Receipts and Payments Account
For the Year Ended March 31, 2012**

Registered Charity Number: 123456
HMRC Tax Reference: X123456

	Unrestricted Funds	Total Funds
	2012	2011
	£	£
Receipts		
Voluntary sources		
Donations for local congregation expenses	5,000	5,000
Gift Aid reclaimed from HMRC	1,250	1,250
Investment income		
Interest	10	15
Other receipts	50	-
	<hr/>	<hr/>
	6,310	6,265
Receipts resulting from movements on assets and investments		
Loan received from Watch Tower	50,000	-
	<hr/>	<hr/>
Total Receipts	56,310	6,265
Payments		
Costs of charitable activities		
Donations to Watch Tower for Worldwide Work	1,200	1,000
Donations to Watch Tower for KHAA	125	120
Donations to Watch Tower for TOAA	200	180
Donations to Neighbourton Congregation	-	500
Kingdom Hall operation and maintenance	500	400
Hire of coach for convention	400	400
Circuit overseer expenses	100	100
	<hr/>	<hr/>
	2,525	2,700
Payments resulting from movements on assets and investments		
Land purchased	45,000	-
Loan repayments to Watch Tower	500	-
	<hr/>	<hr/>
Total Payments	48,025	2,700
Net Receipt/(Payment) for the year	8,285	3,565
Total cash assets brought forward	8,565	5,000
Total cash assets carried forward	<hr/> 16,850 <hr/>	<hr/> 8,565 <hr/>

Signed

Date:.....

Secretary for the Trustees of the Anytown Congregation of Jehovah's Witnesses

The Anytown Congregation of Jehovah's Witnesses
Statement of Assets and Liabilities
As at March 31, 2012

Registered Charity Number: 123456
 HMRC Tax Reference: X123456

	Unrestricted Funds	Total Funds
	2012	2011
	£	£
Cash Assets		
Barclays bank account	8,850	565
Cash in hand	-	-
Funds on deposit with Watch Tower	8,000	8,000
Total Cash Assets (should agree with Receipts and Payments Account)	<u>16,850</u>	<u>8,565</u>
Other Monetary Assets		
Gift Aid claim not yet received	<u>500</u>	<u>-</u>
Investment Assets		
	<u>-</u>	<u>-</u>
Assets Retained for the Charity's Own Use		
Kingdom Hall	100,000	100,000
Land for new build	<u>45,000</u>	<u>-</u>
Liabilities		
Electricity bill to be paid	125	-
Loan (repayable to Watch Tower)	<u>49,500</u>	<u>-</u>

Signed

Date:.....

Secretary for the Trustees of the Anytown Congregation of Jehovah's Witnesses