

NOTTING HILL METHODIST CHURCH

Trustees Annual Report For the year ended 31 August 2020

The Trustees present their report with the financial statements of the charity for the year ended 31 August 2020. The Trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Effective 1 January 2015)

Aims and organisation

We see as the priorities of Notting Hill Methodist Church, in addition to the advancement of the Christian faith, as the need to maintain here in this part of London:

1. a regularly worshipping congregation,
2. a fellowship of people learning and growing in Christian faith
3. a community of service in the neighbourhood.,
4. a sharing in the mission of the wider Church to the whole world in challenging injustice and meeting human need
5. a company of those who bear witness to their faith in daily life and seek through evangelism to share their experience of Christ with others

We thank God for all we have shared together in the 2019/20 year and look forward in trust to all that the forthcoming one year will bring, mindful of the considerable challenges brought by the coronavirus pandemic.

Review of the year

The year has been marked by the advent of the coronavirus pandemic and the restrictions imposed on worship and other forms of church activity. For much of the period March- early August our worship was held online only, and all church activities on the premises ceased abruptly. A significant number of our members do not have internet access and hence communication with them has been more difficult, though in many cases telephone conversations have been an important means of keeping in touch with each other.

Our Music Academy, bible study, Junior Church and all church building lettings were suspended when the lockdown was introduced in March. Our Foodbank continued to operate: it was faced with a sudden crisis of demand which was remedied within a few weeks, and it has continued to grow since. Clients have sadly been required to wait outside the church for food packages. The challenge of operating safely within a Covid-19 environment remain significant, and have exacted a considerable burden on staff and volunteers as the Foodbank expanded rapidly. Food storage remains a critical issue, as does the number of volunteers, but we are grateful to those who have ensured its continuity through a challenging period.

Four people were confirmed into church membership in December 2019, though our general trend is that membership is stable at a little over 60. Early in the

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year we were saddened at the death of Brenda Sadler, a trustee and one of our longest-serving church members.

We recruited a new administrator/receptionist, Anabela Nicholas, in January 2020. Our Operations Manager Tony Bryan left for a new post in March 2020. His role was slightly reconfigured and retitled as Facilities Manager, to which Loraine Ophelia was appointed in June 2020.

We were aided by the arrival of Revd Bethany Willers, a minister in the Iowa Conference of the United Methodist Church (USA), who was stationed in the circuit from March until her departure in August for an appointment in South Wales. She helped particularly with our online services during the lockdown.

A relatively new team of church stewards had been appointed during the previous year, but at its end many felt they did not wish to continue, and so the circuit stewards have largely taken on these responsibilities.

Revd Dr Michael Long
Superintendent Minister and Chair of Trustees

Finance

Basis of accounts preparation

The financial statements have been prepared under the Charities Act 2011 in accordance with the 2014 version of Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with FRS102 – the Charities SORP (FRS102) and taking note of the Update Bulletin 1 issued in 2016.

Income trends

Church income is primarily drawn from lettings income from external users of the church buildings and church investment properties. This is augmented by Sunday collections and gift aid tax relief from members of the Church. Income reduced over the previous year by some £45,000 largely due to the effect of the pandemic on making new lettings. Total unrestricted income amounted to £669,332 (2019 - £694,870).

Expenditure trends

The major ongoing cost is for staff and related expenditure, including the annual assessment from the Notting Hill Circuit, which meets the Minister's stipend and some other staff costs and includes repairs to manses. Costs continued to arise for the managing and maintenance of church buildings and investment properties, and on grant giving. Major works to the Lancaster Road church building and other buildings were however much lower at £107,038 (2019 -

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£473,672) because the contract to rectify subsidence to the building and to modernise the lower floor ended in the year.

A grant of £85,000 was made to the Denbigh Methodist Housing Association to enable it to continue to make housing available to those in need at social housing rent levels.

Total expenditure amounted to £659,262 (2019 - £1,021,544) against unrestricted reserves, a decrease of £362,282 on the previous year.

Fund balances

The Church's net current assets at the year-end amounted to £281,180 (2019 - £222,140). After setting aside restricted reserves, a designated fund for major works of maintenance and the general reserve related to properties and other fixed assets, unrestricted funds of £233,705 remain.

Investment Policy

The investment of surplus funds is operated through the Central Finance Board (CFB) of the Methodist Church. CFB aims to provide a high quality investment service seeking above average returns for long term investors, whilst ensuring that the securities held by all its funds are in line with the ethical policy of the Methodist Church. The Church currently has its funds in a deposit account with CFB.

Reserves policy and plans for 2020/21

The Church's reserves policy takes account of its net current assets at the last Balance Sheet date, the budget for the current year 2020/21 and significant known items of property expenditure to be incurred in the near future. By 31 August 2021 free reserves excluding any designated provision set aside for future major works are estimated to be reduced to approximately £110,000.

The agreed reserves policy is to retain from the unrestricted resources available under the above calculation the equivalent of three months operating expenditure (approximately £105,000) to fund planned activities should normal revenue earning be suspended.

Structure, Governance and Management

Legal framework

Notting Hill Methodist Church is the sole church in the Notting Hill Methodist Circuit.

The governing document for the Church is the Deed of Union (1932) and Methodist Church Act (1976). Detailed governance arrangements are outlined

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within the Constitutional Practice and Discipline of the Methodist Church (CPD), by order of the annual Methodist Church Conference.

The purposes of the Methodist Church are and shall be deemed to have been since the Date of Union the advancement of :

- The Christian faith in accordance with the doctrinal standards and discipline of The Methodist Church;
- Any charitable purpose for the time being of any Connexional, District, Circuit, local or other organisation of The Methodist Church;
- Any charitable purpose for the time being of any society or institution subsidiary or ancillary to The Methodist Church;
- Any purpose for the time being of any charity being a charity subsidiary or ancillary to The Methodist Church

Reference and administrative details

Name of charity : Notting Hill Methodist Church
Charity registration number : 1127356
Date of registration : 31 December 2008

The registered office and operational address of the Church is :
240 Lancaster Road
London W11 4AH

A full list of Church Council members and key lay employees is as shown below.

Church Council members during 2019/20

Revd Dr. Michael Long	Pauline Mullings	Esther Samuels
Gladwyn Samuels	Suzie Long	Portia Thaxter
Elaine Spence	Stacey Gerald	Audrey Jones
Wendy Yarde-Chase	Sonia Barnes	Elaine Brackett
Stephen Duckworth	Lynette Yarde	
Sephra Dorsett-Peters (Safeguarding officer)		
Brenda Sadler (to 12 September 2019)		

Senior lay staff

Tony Bryan - Operations Manager (to March 2020)
Loraine Ophelia – Facilities Manager (from June 2020)
Susannah Yarde – Youth and Family Worker

Management

Day to day management of the church is undertaken by the Church Leadership team along with the Minister.

Superintendent Minister : Revd Dr Michael Long

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Treasurer : Mrs Elaine Spence

Elaine Spence acted as the principal officer overseeing the day to day financial management and accounting for the Church during the year.

Auditors :
Banks & Co. Limited
1 Carnegie Road
Newbury
Berkshire RG14 5DJ

Solicitors :
Colman Coyle LLP
80 Upper Street
London N1 0NU

Chartered Surveyors :
Colliers International
50 George Street
London W1U 7GA

Bankers :
HSBC Bank
Westminster Branch
22 Victoria Street
London SW1H 0NJ

Central Finance Board of the Methodist Church
9 Bonhill Street
London EC2A 4PE

Governance

The members of the Notting Hill Methodist Church Council are the Charity Trustees, membership being made up of Church and Circuit office holders, the Minister and up to eight representatives appointed by the Church at its Annual Church Meeting.

A range of guidance produced by the Methodist Connexion to support the effective running of the Church and the role of Trustees is given to the Church Trustees at various meetings and training sessions held throughout the year.

Public benefit

The trustees have due regard to the public benefit guidance published by the Charity Commission in compliance with its duties under section 4 of the Charities Act 2011. This guidance sets out two key principles:

- The organisation must have an identifiable benefit.

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- The benefit must be to the public or a section of the public.

The Church exists 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.

Related parties

The Church is the sole church in the Notting Hill Circuit, which is part of the London District and also accountable to the Methodist Conference.

The Church controls the membership of the Denbigh Methodist Housing Association which is a charitable housing association registered under the Cooperative and Community Benefit Societies Act 2014.

Risk management

The Trustees are responsible for identifying and mitigating the level of risk faced by the charity, taking professional advice as required. An annual review process is to be undertaken, with documentation of the strategy to be employed for risk mitigation.

Major risks will continue to accrue from the condition of the properties of the church and a quinquennial report by a qualified surveyor was undertaken in 2020 to inform the Church's plans for maintenance of its properties. Due to the Covid-19 pandemic fresh risks have arisen, both to the health of the Church's members and to its lettings and other income. Full risk assessments have been regularly carried out to the Church buildings.

Safeguarding

Methodist Connexional practice outlines commitment to the following principles:

- the care and nurture of, and respectful pastoral ministry with all children, young people and adults
- the safeguarding and protection of all children, young people and adults when they are vulnerable
- the establishing of safe, caring communities which provide a loving environment where there is informed vigilance as to the dangers of abuse.
- We will carefully select and train all those with any responsibility within the Church, in line with Safer Recruitment principles, including the use of criminal records disclosures and registration with the relevant vetting and barring schemes.

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- We will respond without delay to every complaint made which suggests that an adult, child or young person may have been harmed, cooperating with the police and local authority in any investigation.
- We will seek to work with anyone who has suffered abuse, developing with them an appropriate ministry of informed pastoral care.
- We will seek to challenge any abuse of power, especially by anyone in a position of trust.
- We will seek to offer pastoral care and support, including supervision and referral to the proper authorities, to any member of our church community known to have offended against a child, young person or vulnerable adult.
- In all these principles we will follow legislation, guidance and recognised good practice.

The Notting Hill Methodist Church commits itself to ensuring the implementation of Connexional Safeguarding Policy, government legislation, guidance and safe practice in the circuit and in the churches.

The Notting Hill Methodist Church commits itself to the provision of support, advice and training for lay and ordained people that will ensure people are clear and confident about their roles and responsibilities in safeguarding and promoting the welfare of children and adults who may be vulnerable.

Church Council Members' Responsibilities

The members of Church Council are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Legislation requires the Council members to prepare financial statements for each financial year, which give a true and fair view of the Church's state of affairs at the end of the year, and the result for the year then ended.

In preparing these financial statements, the Council members are required to:

- select suitable accounting policies and then apply them on a consistent basis;
- make judgements and estimates that are prudent and reasonable;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- prepare accounts on a going concern basis unless it is not appropriate to presume that the church will continue in existence.

The Council members are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Church. They are also responsible for safeguarding the assets of the Church and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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For the year ended 31 August 2020**

Approved by the Church Council on 2 March 2021 and signed on their behalf by :

Revd Dr. Michael Long, Superintendent Minister

Independent Auditor's Report to the Trustees of Notting Hill Methodist Church

Opinion

We have audited the financial statements of Notting Hill Methodist Church (the 'charity') for the year ended 31 August 2020 which comprise a statement of financial activity, balance sheet, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 August 2020, and of its incoming resources and application of resources, including its income and expenditure, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- the charity has not kept adequate accounting records; or
- the 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 7, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.

Banks & Co Limited

Chartered Certified Accountants

Statutory Auditors

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

1 Carnegie Road

Newbury

Berkshire

RG14 5DJ

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Statement of Financial Activities (SOFA) for the year ended 31 August 2020

	General Fund (Unrestricted) £	Designated Funds (Unrestricted) £	Restricted Funds £	Total £
Income				
1 Offerings	7,493			7,493
2 Donations	9,070		33,857	42,927
3 Gift aid	3,440			3,440
4 Interest and investment income	1,624			1,624
5 Income from investment properties (note 2)	468,043			468,043
6 DMHA rental income (note 3)	112,079			112,079
7 Other charitable income (note 4)	67,583			67,583
8 Total income	669,332	0	33,857	703,189
Expenditure				
9 Circuit assessment or share (note 5)	113,461			113,461
10 Grants and donations (note 6)	85,000		8,480	93,480
11 Property maintenance (note 7)	72,392	107,038		179,430
12 Insurance, utilities etc.	33,593			33,593
13 Depreciation (note 9)	49,170			49,170
14 Ministry expenses (note 8)	78,374		25,577	103,951
15 Other expenditure (note 8)	120,234			120,234
16 Total charitable expenditure	552,224	107,038	34,057	693,319
17 Realised gains/(losses) on monetary investments	0			0
18 Realised gains/(losses) on disposal of investment properties	0			0
19 Net income/(expenditure)	117,108	(107,038)	(200)	9,870
20 Transfers between funds	(86,720)	90,000	(3,280)	0
21 Revaluation gains/(losses)	(260,000)			(260,000)
22 Net movement in funds	(229,612)	(17,038)	(3,480)	(250,130)
23 Total funds brought forward (as restated)	20,612,437	27,655	20,338	20,660,430
24 Total funds carried forward	20,382,825	10,617	16,858	20,410,300

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Balance Sheet as at 31 August 2020

	Notes to the accounts	General Fund (Unrestricted) £	Designated Funds (Unrestricted) £	Restricted Funds £	Endowment Funds £	Totals 2020 £	Totals 2019 (as restated) £
Fixed Assets							
Church building and other property	9	5,499,120				5,499,120	5,548,290
Investment properties	9	14,630,000				14,630,000	14,890,000
Investments							0
Total fixed assets		20,129,120	0	0	0	20,129,120	20,438,290
Current Assets							
Debtors and prepayments	10	77,186				77,186	1,395
Loans by the Churches		0				0	0
Investments with TMCP		0				0	0
Central Finance Board Deposits		199,493	10,617	14,613		224,723	231,985
Cash at Bank and in hand		112,801		2,245		115,046	90,572
Total current assets		389,480	10,617	16,858	0	416,955	323,952
Current liabilities							
Creditors (due in under 1 year)	11	50,162				50,162	50,106
Amounts due to/(from) Notting Hill Methodist Circuit		84,583				84,583	42,976
Grants payable within 2020/21		1,030				1,030	8,730
Total current liabilities		135,775	0	0	0	135,775	101,812
Net current assets/liabilities		253,705	10,617	16,858	0	281,180	222,140
Total assets less current liabilities		20,382,825	10,617	16,858	0	20,410,300	20,660,430

	Notes to the accounts	General Fund (Unrestricted)	Designated Funds (Unrestricted)	Restricted Funds	Endowment Funds	Totals 2020	Totals 2019 (as restated)
		£	£	£	£	£	£
Long term liabilities (due after more than one year)							
Grants payable after 2020/21		0				0	0
Loans to the Church		0				0	0
Net assets		20,382,825	10,617	16,858	0	20,410,300	20,660,430

Funds of the Church

General Fund (Unrestricted)		20,382,825				20,382,825	20,612,437
Designated Funds (Unrestricted)			10,617			10,617	27,655
Total Unrestricted Funds						20,393,442	20,640,092
Restricted Funds				16,858		16,858	20,338
Endowment Funds					0		
Total Funds	17	20,382,825	10,617	16,858	0	20,410,300	20,660,430

Signed

Chair

Treasurer

Notting Hill Methodist Church

Cash flow statement for the year ended 31 August 2020

	2020	2019
Statement of cash flows	£	£
Cash from operating activities		
Net cash used in operating activities (Note 1)	(564,534)	(797,223)
Cash flows from investing activities		
Dividends, interest and rents from investments	581,746	582,306
Proceeds from the sale of property ,plant and equipment		
Purchase of property, plant and equipment		
Purchase of intangible assets		
Proceeds from the sale of investments		
Purchase of investments		
Other		
Net cash provided by investing activities	581,746	582,306
Cash flows from financing activities		
New borrowing		
Repayments of borrowing		
Net cash used in financing activities	0	0
Change in cash and cash equivalents in the reporting period	17,212	(214,917)
Cash and cash equivalents at the beginning of the reporting period	322,557	537,474
Cash and cash equivalents at the end of the reporting period (Note 2)	339,769	322,557

Notting Hill Methodist Church
Notes to cash flow statement for the year ended 31
August 2020

Note 1:	2020	2019
Reconciliation of net income to net cash flow from operating activities	£	£
Net income for the reporting period (as per statement of financial activities)	9,870	(325,436)
Adjustments for:		
Depreciation and amortisation charges	49,170	49,170
Profit on the sale of fixed assets		
Loss on the sale of fixed assets		
Gains on investments		
Dividends, interest and rents from investments	(581,746)	(582,306)
Decrease/(increase) in stocks		
(increase)/decrease in debtors	(75,791)	36,471
increase/(decrease) in creditors	33,963	24,878
Net cash used in operating activities	(564,534)	(797,223)
	2020	2019
Note 2:		
Analysis of cash and cash equivalent	£	£
Cash in hand	115,046	90,572
Short term deposit (less than 3 months)	224,723	231,985
Total cash and cash equivalents	339,769	322,557

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Notes to the financial statements For the year ended 31 August 2020

1. Accounting Policies

a) Basis for preparing the financial statements

These financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or in the notes to the financial statements.

They have also been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended practice applicable to charities preparing their accounts with the Financial Reporting Standard applicable to the UK and the Republic of Ireland (FRS102) (Charities SORP (FRS102)) and the Charities Act 2011.

The Trustees consider that there are no material uncertainties about the entity's ability to continue as a going concern other than those noted below. There were no significant areas of adjustment or key assumptions that effect items in the accounts. With respect to the next reporting period, the most significant areas of uncertainty are the effects of the Covid pandemic on the extent of maintenance and major works carried out following the 2020 quinquennial report and also on the letting of the commercial properties and collection of their rents.

b) Funds

The funds held constitute : general funds held for any purpose of the Church which are unrestricted; designated funds which are also unrestricted but which are set aside for particular areas of future expenditure as decided by the trustees; and restricted funds which are subject to restrictions imposed by the donor and can only be used for specific purposes.

c) Incoming resources

Incoming resources are included in the Statement of Financial Activities (SOFA) when the Church becomes entitled to that income, and the trustees are reasonably certain they will receive the resources, and the amount can be quantified with reasonable accuracy.

d) Resources expended

Expenditure is recognised on an accruals basis when a liability is incurred or a constructive obligation arises that results in the payment being unavoidable. Liabilities are recognised as soon as an outflow of economic benefit is considered more likely than not under the legal or constructive obligation committing the Church to pay out resources.

e) Grants

Grants made by the Church from its own funds are recognised in full at the time of agreement or when the Church accepts that there is a legal or operational obligation to make the payment. When the grant is recurrent over more than one year the balance payable in future years is treated as a provision for future commitments in the Balance Sheet against the appropriate fund, the provision being released in future years as instalments are paid in accordance with the originally agreed terms.

f) Taxation

Notting Hill Methodist Church is recognised as exempt from income and Corporation tax on income derived from its charitable activities because of its charitable status. Since the Church is not VAT registered, all input VAT borne is charged with the expenses to which it refers.

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Notes to the financial statements (Continued ...) For the year ended 31 August 2020

g) Tangible fixed assets

The Land & Buildings disclosed in the accounts are legally owned by The Trustees for Methodist Church Purposes in its capacity as trustee or custodian Trustee.

The Church premises at Lancaster Road and Etheline Holder Hall and the pavilion at Kelfield Gardens have from the 2016/17 accounting year been valued based on their insurance valuation in 2017 with the intention that this be the deemed value under FRS 102. The building element of this for depreciation purposes is deemed to be 40% of the full value, given the high land costs in Kensington and Chelsea.

Commercial properties are treated as investment properties and have been valued in March 2017 by Justin Knight MRICS based on rental yield of 5% as they are held in perpetuity. Advice received subsequently is that there has not been a material change.

Residential rental properties are also treated as investment properties. Their valuations are based on vacant possession values reduced by one third to reflect their tenanted status.

h) Depreciation

It is the Church's policy to capitalise its non-building fixed assets, including vehicles, furniture and equipment assets, with costs over £5,000 and to charge depreciation on these. All building fixed assets are capitalised with only the building element depreciated.

Depreciation is charged as follows on building and non-building fixed assets :

Buildings (other than investment properties)	over 50 years
Organ	over 10 years
Furniture, equipment and vehicles	over 4 years

2. Income from Investment Properties

The income from lettings of £468,043 (2019 - £471,181) comes from the letting of five retail premises.

3. Income from DMHA rentals

The Church and Circuit lease their residential properties to Denbigh Methodist Housing Association (DMHA) to manage, with the expectation that for most of the properties social housing rent levels will be charged. The Church and Circuit are required to charge a market rental under the 7 year lease to DMHA. The rental is based on the market rents of the properties established in 2018, less an allowance for all the costs of management and maintenance other than major works.

4. Other Charitable Income

This income of £67,583 (2019 - £95,127) comes principally from the letting of space in Church properties.

5. Circuit assessment or share

The charge of £113,461 (2019 - £107,935) is borne by the Church for Ministry expenses.

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) For the year ended 31 August 2020

6. Grants and donations

The grants and donations made from unrestricted funds went to charities under the following headings :

	2020 £	2019 £
Denbigh Methodist Housing Association	85,000	85,000
Local Charities	-	12,000
Transfer costs	-	48
	<u>85,000</u>	<u>97,048</u>

The grant to Denbigh Methodist Housing Association is to assist the association to continue to charge social housing rents rather than market rents to most of its tenants.

7. Property maintenance

Works to the Lancaster Road Church have been exceptionally high in this and the previous year - £100,347 (2019 - £473,672) due to the need to complete the related remedial works due to subsidence.

8. Salaries, NIC and Pension costs

Ministry expenses and Other expenditure include relevant staff employment costs.

The Church operates a payroll and recharges the relevant costs to the appropriate organisations.

The average number of staff employed by the Church during the year were 3.6 (full time equivalents) (2019 – 3.6)

The Church provides and administers a money purchase pension arrangement for all staff with TPT Retirement Solutions. During the year total employer's pension contributions before recharge totalled £6,652.

No employees are paid in excess of £60,000.

	2020 £	2019 £
Gross wages, salaries and benefits in kind	73,416	77,264
Employer's National Insurance costs	7,994	7,572
Employer's pension costs	4,027	3,438
	<u>85,437</u>	<u>88,274</u>

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) For the year ended 31 August 2019

9. Tangible Fixed Assets

9.1 Property fixed assets for the Church's own use

The church in Lancaster Road was built in the late 19th Century and has been in continuous use by the Methodists since then. In 1994 work on a major refurbishment scheme included reducing the size of the church interior and creating ancillary offices. The works were completed in 1997 at a cost of £1,070,000, funded principally from the sale of proceeds of the church in Denbigh Road.

Etheline Holder Hall, a community hall built on a retained part of the Denbigh Road site, opened in 1992, at a cost of £215,000.

These church properties are insured for £6,112,000. Kelfield Garden is a private open space with pavilion gifted to the Church in the early 20th century. The pavilion is insured for £280,000.

9.2 Property fixed assets for investment

The freehold and leasehold of the Denbigh Estate were acquired by the Church in the 1890s. The estate is insured for £6,260,000. A valuation carried out in early 2017 showed a value of £14,400,000 and this has been incorporated in the accounts since 2015/16. A prior year correction to this has been made – see note 9.3. Professional advice has confirmed that there had not been a material change by 2019 to the commercial properties valuation. A reappraisal of the residential properties values in November 2020 against local comparables indicates an impairment of £260,000 since 2017.

9.3 Investment property – prior year correction

During the year ended 31 August 2020, the Trustees became aware that the valuation of the investment property reported in the 2019 financial statements was incorrect and understated by £490,000. Due to the material value of the misstatement a prior year adjustment has been made. The effect is that the valuation of investment property has increased from £20,218,056 to £20,708,056 (note 10) and total funds have increased from £20,170,430 to £20,660,430 (note 18).

9.4 Depreciation

Depreciation is charged on building and non-building fixed assets at the rates shown under Church Accounting Policies above.

NOTTING HILL METHODIST CHURCH

Tangible Fixed Assets	Church (non investment) land and buildings £	Other non investment land and buildings £	Investment properties (land and buildings) £	Other fixed assets including motor vehicles £	Fixtures, fittings and equipment £	Total £
Balance brought forward	5,567,000	98,000	14,400,000	114,556	38,500	20,218,056
Prior year correction (note 9.3)	-	-	490,000	-	-	490,000
Balance Brought forward as at 1.09.2019 as restated	5,567,000	98,000	14,890,000	114,556	38,500	20,708,056
Additions						
Revaluations (+/-)	-	-	(260,000)	-	-	(260,000)
Disposals (-)						
Transfers * (+/-)						
Balance carried forward	5,567,000	98,000	14,630,000	114,556	38,500	20,448,056

Accumulated depreciation

Balance brought forward	133,620	2,340		114,556	19,250	269,766
Depreciation charge for year (-)	44,540	780		-	3,850	49,170
Revaluations (+/-)						
Disposals (-)						
Transfers* (+/-)						
Balance carried forward	178,160	3,120	-	114,556	23,100	318,936

Net book value

Brought forward (as restated)	5,433,380	95,660	14,890,000	-	19,250	20,438,290
Carried forward	5,388,840	94,880	14,630,000	-	15,400	20,129,120

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) For the year ended 31 August 2020

10. Debtors

	2020 £	2019 £
Rent in arrears	71,580	2,384
Other debtors and prepayments	5,606	(989)
	<u>77,186</u>	<u>1,395</u>

11. Creditors

	2020 £	2019 £
Rent in advance	24,208	24,208
Grants payable	1,030	8,730
Other creditors and accruals	25,954	25,897
	<u>51,192</u>	<u>58,835</u>

12. Fees for audit of the accounts

The independent auditors' fee is paid by Notting Hill Methodist Circuit (£9,636 including other fees paid to the auditor (2019 - £4,500). The Circuit assessment (note 4) includes the recharge to the Church of an appropriate part of this fee (£4,740).

13. Restricted Funds

During 2019/20 restricted funds of £32,768 were received in donations related to the Church's Food Bank. Donations were principally received with the intention that they support individuals and families affected by the Covid pandemic.

14. Related party transactions

During the year three Trustees were reimbursed a total of £662 (2019 - £358) by the Notting Hill Methodist Church in respect of expenses incurred in the day to day operations of the charity.

The following trustees had a related interest during the year :

- Sonia Barnes is a tenant of Denbigh Methodist Housing Association living in a Notting Hill Methodist Church property.
- Rev Michael Long was a trustee of the 240 Project, to which the Church makes an annual grant.

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) For the year ended 31 August 2020

15. Commitment under operating leases

At 31 August 2020 the Church had annual commitments under non-cancellable operating leases as follows :

	2020	2019
	£	£
Expiry date:		
Within one year	759	3,305
Between two and five years	-	759

16. Capital commitments and contingent liabilities

16.1 Capital commitments

The Church had capital commitments at the year-end of £8,000 (2019 - £85,189).

16.2 Contingent assets

A claim has been lodged against the Royal Borough of Kensington and Chelsea relating to the remedial costs incurred in rectifying damage caused by nearby trees. Due to the nature of this matter any estimate would be impractical.

16.3 Contingent liability

An employment tribunal case is in progress and managed by the insurers but the matter is not expected to be concluded until after the finalisation of the financial statements. Due to the nature of this matter it is impractical to estimate the financial effect.

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) For the year ended 31 August 2020

17. Movements on reserves

	General £	Designated £	Restricted £	Total £
Opening balance as at 01.09.2019 (as restated)	20,612,437	27,655	20,338	20,660,430
Income	669,332	-	33,857	703,189
Expenses	(552,224)	(107,038)	(34,057)	(693,319)
Transfers	(86,720)	90,000	(3,280)	-
Revaluation of Investment properties	(260,000)	-	-	(260,000)
Closing balance as at 31.08.2020	20,382,825	10,617	16,858	20,410,300

Included within the General reserve listed above are revaluation reserves related to property fixed assets totalling £20,113,720 (2019 as restated - £20,419,040)

Prior year	General £	Designated £	Restricted £	Total £
Opening balance as at 01.09.2018	20,324,642	154,635	16,589	20,495,866
Income	694,870	-	29,941	724,811
Expenses	(547,883)	(473,672)	(28,692)	(1,050,247)
Transfers	(349,192)	346,692	2,500	-
Restatement of Investment properties (note 9.3)	490,000	-	-	490,000
Closing balance as at 31.08.2019 (as restated)	20,612,437	27,655	20,338	20,660,430

Included within the General reserve listed above are revaluation reserves related to property fixed assets totalling, as restated, £20,419,040 (2018 - £19,974,360)

NOTTING HILL METHODIST CHURCH

Notes to the financial statements (Continued ...) **For the year ended 31 August 2020**

18. Statement of Financial Activities (SOFA) for the year ended 31 August 2019

	General Fund (Unrestricted) As restated £	Designated Funds (Unrestricted) £	Restricted Funds £	Total As restated £
Income				
1 Offerings	9,258			9,258
2 Donations	6,706		29,891	36,597
3 Gift aid	1,523			1,523
4 Interest and investment income	2,055		50	2,105
5 Income from investment properties (note 2)	471,181			471,181
6 DMHA rental income (note 3)	109,020			109,020
7 Other charitable income (note 4)	95,127			95,127
8 Total income	694,870	0	29,941	724,811
Expenditure				
9 Circuit assessment or share (note 5)	107,935			107,935
10 Grants and donations (note 6)	97,048		28,692	125,740
11 Property maintenance (note 7)	59,820	473,672		533,492
12 Insurance, utilities etc.	30,737			30,737
13 Depreciation (note 9)	49,170			49,170
14 Ministry expenses (note 8)	92,795			92,795
15 Other expenditure (note 8)	110,378			110,378
16 Total charitable expenditure	547,883	473,672	28,692	1,050,247
17 Gains/(losses) on monetary investments	0			0
18 Gains/(losses) on investment properties	0			0
19 Net income/(expenditure)	146,987	(473,672)	1,249	(325,436)
20 Transfers between funds	(349,192)	346,692	2,500	0
21 Other gains/(losses)	490,000			490,000
22 Net movement in funds	287,795	(126,980)	3,749	164,564
23 Total funds brought forward	20,324,642	154,635	16,589	20,495,866
24 Total funds carried forward	20,612,437	27,655	20,338	20,660,430

