

FREE PRESBYTERIAN CHURCH OF SCOTLAND

Scottish Charity Number SC003545

REPORT & ACCOUNTS

For year ended 31 December 2018

Free Presbyterian Church of Scotland
ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

FINANCE COMMITTEE'S REPORT.....	page 3 - 10
AUDITORS' REPORT.....	11 - 13
STATEMENT OF FINANCIAL ACTIVITIES.....	14
BALANCE SHEET.....	15
CASH FLOW STATEMENT.....	16
NOTES TO THE ACCOUNTS.....	17 - 32

FINANCE COMMITTEE REPORT

Convener: Rev K D Macleod

THE FINANCE COMMITTEE presents its report together with the financial statements of the Church for the year ended 31 December 2018.

OBJECTIVES AND ACTIVITIES

The Church's purpose is that of the worldwide Christian church: to seek the advancement of the glory of the Lord Jesus Christ in the salvation of sinners through the gospel.

In the context of its status as a registered charity the Church has identified several charitable purposes which flow from the above overriding purpose, and which find expression in the activities which the Church carries out. Although several charitable purposes are identified, all are subordinate to the primary purpose of the advancement of religion. Activities are carried out in pursuance of the other charitable purposes to the extent that these ultimately support the advancement of religion – usually by means of helping to overcome barriers to the work of the gospel. The Church's charitable purposes and the main related activities are as follows.

Advancement of religion

The activities which aim most directly at the fulfilment of this purpose involve supporting the Church's congregations, and mission work. Congregations in the UK are supported via administration of funds for payment of ministers' stipends, acquisition and maintenance of properties, and provision for other financial needs that might arise.

Congregations outside the UK arrange their ministers' stipends and most of their property costs locally, but the Church centrally gives assistance (via grants and loans) when necessary. The Church also organises, and supports the cost of, travel between the UK and overseas, which facilitates Church government as well as maintaining and strengthening fellowship and mutual support between congregations.

A college system is maintained for training of ministers. This involves appointment and payment of tutors, and payment of grants to divinity students. An extensive library is also maintained, and an annual theological conference is held.

The Church publishes Christian books and sells these, together with a wide range of other Christian literature, through the Free Presbyterian Bookroom. The aim of these activities is to expand the dissemination of sound literature. Two monthly magazines are also produced and sold, this activity sharing the objective of seeking to disseminate sound Christian reading material. Neither the Bookroom nor the other literature-related activities are operated as a means of raising funds: the financial objective is to break even over the longer term and the Church is willing to commit charitable expenditure to the Bookroom (in particular) in the shorter term in view of the benefit of sound Christian literature for the advancement of religion.

Overseas mission work is supported, mainly in Zimbabwe, which involves seeking to bring the gospel to areas where it is not known or established, as well as other activities described below.

Advancement of education

The mission work in Zimbabwe which the Church supports includes a secondary school and several primary schools. As well as providing a good standard of education, these schools aim to bring children to the preaching of the gospel. A core part of the work at the schools is to teach the Christian religion and maintain a Christian ethos.

Advancement of health

A hospital in Zimbabwe is supported as part of the Church's mission work in that country. The hospital aims to be a focal point for large numbers of people, as a means of bringing the gospel to

them – as well as its more direct impact in providing much needed health services to an area where these are not so readily available.

A current aspect of the mission's health related work is establishment of rural health centres with a view to easing the pressure on the hospital as well as reaching more people overall, and at earlier stages of illnesses.

Prevention or relief of poverty

Many of the areas reached by the overseas mission work suffer from a high rate of poverty, which represents an additional motive for provision of healthcare and education, as well as requiring more direct relief of hardship.

The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage

The Church operates two residential care homes for the elderly in the UK. These seek to maintain a Christian environment for the residents, including regular worship and opportunities for friendship and fellowship with other residents and visitors. The care homes strive to provide a high standard of service, one measure of which is their Care Commission ratings. The financial objective of the care homes is the same as that of the Bookroom – to break even over the longer term. Due to the ongoing need for capital and maintenance expenditure to maintain and improve care standards, the care homes will ideally produce surpluses in some years.

An orphanage is supported by the Church in Zimbabwe, to help meet the needs of children without parents and to provide a Christian atmosphere for their upbringing.

Measurement

The Church's activities aim at outcomes of a spiritual nature. Identification and measurement of their achievement is not within the competency of charity trustees. In practical terms, for most of the Church's activities the usual measure of success is maintenance of the relevant funds and continuation of the gospel work. Some activities will have more specific shorter term outcomes in some years.

Social investments and grant making

The Church advances grants and interest free concessionary loans as a means of assisting congregations with the cost of acquiring, improving and maintaining their church and manse properties. These interest-free loans are classed as 'programme related investments' – a type of 'social investment' – in terms of the accounting standards for charities. Grants and loans are offered in response to applications from congregations for financial assistance. The Committee has developed a detailed policy for assessing applications and calculating amounts of grant and loan funding to be offered to congregations.

Grants are offered to congregations on a basis which takes account of the size of the congregation's available resources relative to the cost of the planned project. The policy provides for grants of up to 75% of the cost of a project.

Concessionary loans are offered where the congregation's available resources would otherwise be reduced (as a result of a project) below the level of one year's revenue expenditure. The loans policy thus helps to maintain a stable level of reserves within congregations, and thus supports the gospel work within the congregation. Repayment terms for loans are calculated on the basis of the congregation's capacity for annual repayments, which is assessed by reference to recent years' accounts. The loans policy thus helps to prevent loan repayments becoming an excessive burden on congregations.

Volunteers

The Church's work in general is supported by voluntary effort, which the Committee acknowledges with thankfulness.

REVIEW OF THE YEAR

The trustees are pleased to be able to report that all of the Church's usual activities, as described in the previous section, could be continued throughout 2018. Most importantly, the gospel ministry was maintained throughout the Church and congregations had suitable buildings in which to meet for public worship.

Despite a £26,390 fall in congregational contributions since 2017, the **Sustentation Fund** had a small surplus of £6,697 in 2018 (surplus of £54,085 in 2017, approximately £9,500 of which was due to an exceptional item). This Fund is of key importance to the Church's work, being used for payment of ministers' stipends. The Fund's credit balance at the end of the year was £68,349 (£61,652 in 2017).

The **College and Library Fund** also experienced a fall in congregational contributions, to £34,285 from £47,717 in 2017. The Fund also bore increased expenditure on maintenance grants, due to a welcome increase in the number of divinity students. Despite a deficit of £18,447 in 2018 (surplus of £14,856 in 2017) the Fund ended the year with a credit balance of £90,792. With four divinity students preparing for the Church's ministry, the Committee expects relatively high expenditure from this Fund in the coming years.

The **Bookroom** suffered a further fall in sales in 2018, from £30,400 to £27,364. This was almost entirely due to reduced sales of Free Presbyterian Publications titles, reflecting the absence of significant new publications in recent years. The sales achieved by the Bookroom in 2018 were, however, of higher average margin than in 2017, and together with some reductions in expenditure this led to a reduced deficit of £10,245 for the year (deficit of £14,056 in 2017). It is expected that the delayed development of an e-commerce website for the Bookroom will be completed within the next few months, and the trustees expect this to contribute to an improvement in the Bookroom's financial performance.

Despite difficult operating conditions in the care sector, the Church's two **Care Homes** continued to operate successfully, both financially and in terms of strong ratings in their Care Commission assessments. Both Homes returned a surplus in 2018.

Grants made to congregations to assist with property related costs increased to £115,572 in 2018, from £93,084 in 2017. The bulk of this expenditure was for the benefit of the North Harris congregation which was undertaking a large programme of repairs to its church and manse buildings. A number of smaller projects were also supported at other congregations. **Concessionary loans** of £42,424 were advanced (2017: £70,546), giving further financial support to congregations undertaking property maintenance and repair projects. Most of the 2018 loan advances were to the North Harris congregation in respect of the above-mentioned project.

Having reviewed the policy for awarding grant and loan funding to congregations in 2017, the Finance Committee considered applications from congregations during 2018 on the basis of that policy. The Committee also carried out the regular annual review of existing loans. This review involved examination of congregations' recent financial statements to check that the repayments expected from congregations remained affordable.

The Church's investment portfolios had a total return of approximately -5% after charges. This return was similar (about 0.5% lower) to that on market indices relevant to the Church's portfolios. The performance was judged by the trustees to be satisfactory, taking account of the significant volatility in investment markets during 2018.

FINANCIAL REVIEW

The Church's funds decreased by £628,899 during the year (2017: increase of £1,562,870). As usual, the movements in market values of the investments, and in the actuarial deficit on the defined benefit

pension scheme were significant factors in the overall financial performance. Together, these factors contributed a net decrease in funds of £741,543 compared with a net increase of £855,963 in 2017.

The underlying performance (excluding the above two factors) was a net increase in funds of £112,644 in 2018, compared with a net increase of £706,907 in 2017. The most significant factors in the reduction were:

- income of £683,666 in 2017, from the sale proceeds of properties used by the former congregation in Vancouver, Canada;
- congregational contributions decreased by £81,214 between 2017 and 2018;
- an allowance of £58,000 has been introduced in 2018 as an estimate of the cost of Guaranteed Minimum Pensions (GMPs) equalisation in the final salary pension scheme sponsored by the Church.

These effects were partially offset by a gain of £154,562 on disposal of the former manse at Dundee, and donations from Mbumba Zending in The Netherlands exceeding the corresponding Zimbabwe mission expenditure by £142,955.

After substantial increases in congregational contributions in recent years it is disappointing to see contributions decreasing by £81,214 in 2018. The decrease – and the increases of recent years – is however mainly attributable to a single congregation, and the general level of contributions across congregations remains similar to that of previous years. Congregational contributions, to the Sustentation Fund in particular, reflect the level of ongoing support for the Church's core activities.

The factors most likely to affect the Church's financial performance in the next few years are expected to be the levels of gains or losses on the investments, and movements in the obligation in respect of the defined benefit pension scheme (which is now closed to future accrual but has a deficit in respect of previous years' service). Due to its size the Zimbabwe mission will continue to be a significant component of the Church's financial position. Expenditure on the mission has now been brought back to the level that can be supported by Mbumba Zending in The Netherlands, the mission's long-term supporter.

The Bookroom Fund and the Pension Reserve are the only funds in deficit. Development of an e-commerce website for the Bookroom was delayed during 2018 but is now nearing completion, and is expected to play a substantial role in addressing the Bookroom Fund's deficit. For the Pension Reserve, deficit reduction contributions are being paid in line with the schedule of contributions agreed with the scheme's trustees after each actuarial valuation.

Investment policy

The Church has a policy of keeping sufficient liquid funds in short-term deposits which can be accessed readily and monitors its bank deposits regularly to ensure that returns are maximised. The Trustees have delegated day-to-day management of the Church's share portfolios to its stockbrokers. Restrictions, however, prevent investment in brewers, distillers, tobacco and the leisure sector, as well as high street retailers that trade on the Sabbath. Otherwise the policy is to have a spread of investments to give a balanced income and capital growth with a target minimum yield, for the R W Forsyth Bequest Fund portfolio, currently of £150,000 per annum.

Risk management

The Finance Committee reviews the risks which the Church faces on a regular basis, directly and through its Risk Management Sub-Committee. The Committee identifies the principal risks as being in the area of long term decline in the income from any of the Church's major sources. The main sources of income are donations from the Mbumba Zending organisation in the Netherlands for the African mission work, resident and local council fees for Care Home occupancy, contributions from congregations, and investment income.

To mitigate these risks the Committee monitors investment performance regularly, ensures that adequate budget planning is in place relative to the Church's foreign missions, and maintains an adequate level of reserves.

Appropriate insurance cover and operational controls are also maintained to mitigate the impact of other risks.

The Church sponsors a defined benefit pension scheme which is currently in deficit. The assets of the R W Forsyth Fund are sufficient to cover this liability, and would remain sufficient in considerably more adverse financial conditions. The Fund's restrictions are such as allow it to be used to fund the pension scheme.

Reserves

The Church's policy is to hold reserves sufficient to give reasonable confidence that the work of the Church will not be curtailed by lack of funding in the short to medium term. The reserves are identified as those unrestricted funds not held in fixed assets, stock in trade or congregational loans, and which are not designated for specific purposes or otherwise committed. The level of reserves takes account of the financial position of each of the restricted funds, the nature and funding arrangements of the Church's activities, the long term commitment of the Church to its core activities, and the form in which the reserves are held.

In the Church's current circumstances, the trustees would expect to hold reserves equivalent to between three months' and nine months' total expenditure.

As well as monitoring the overall level of reserves the trustees consider the balances in each of the restricted funds relative to planned expenditure in these funds, and take action when necessary to ensure stability of the Church's overall financial position.

The Church's total funds at the end of 2018 were £13,478,344 of which £10,074,716 are restricted funds. Included in the unrestricted funds is the Congregational Development Fund of £1,370,986 which is designated for support of congregations in specified circumstances. £736,260 is designated for establishment of new congregations and support of recently formed congregations; and £634,726 is designated for support of the Church's activities in North America. It is unlikely that any substantial portion of these designated amounts will be spent within the next few years.

According to the above policy the reserves at 31 December 2018 amounted to £2,026,737. This represents approximately seven months' expenditure, a similar level to that in the previous year. The trustees note that a significant portion of these reserves are currently held as investments, which have more volatile market value than cash holdings.

PLANS FOR FUTURE PERIODS

The trustees' main objectives and expectations for the next few years are broadly the same as those described earlier in this report. The nature of the Church's activities is not predominantly project-focused but tends to require maintenance of funding and support for activities rather than material changes from year to year.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and governing documents

The constitution of the Free Presbyterian Church of Scotland is defined in its Deed of Separation dated 14 August 1893. The Deed of Separation identifies the several (publically available) historical documents which are considered constitutional.

Administration of the Church's temporal affairs is governed by the Scheme of Financial Administration dated 27 December 1960. This Scheme includes the constitution of the Finance Committee (whose members are the charity trustees) and details the powers and duties of the General Trustees.

The Free Presbyterian Church of Scotland is an unincorporated association.

Appointment of trustees

The Scheme of Financial Administration contains provisions for appointment of members of the Finance Committee (who are the charity trustees). The Committee is appointed annually by the Synod of the Church. Persons appointed to the Finance Committee must be members of Synod (either in the current year or a previous year) and there must be at least four members, including at least one from each Presbytery of the Church (in the UK). The Synod directly appoints the Convener of the Finance Committee (who is the chairman of the charity trustees). The Clerk of the Finance Committee is the General Treasurer, who is also appointed directly by the Synod. The General Treasurer is not necessarily a member of the Finance Committee (and the convention for some years has been that the General Treasurer is not a member of the Committee, and therefore not a charity trustee).

Qualifications and training of trustees

The prerequisite that charity trustees be members of the Church's Synod ensures that they have a broad based understanding and experience of the Church's principles, organisation and activities, and that they have personally declared their adherence to the Church's constitution.

The Church ensures that all trustees have access to copies of its governing documents and the legislation and guidance relevant to charity trustees in Scotland. Trustees are expected to become familiar with these resources. Ongoing training and development includes sessions at Finance Committee meetings, from time to time, when aspects of the duties of trustees and the legislation and guidance are reviewed and discussed.

Organisation

The Church is organised according to the Presbyterian system, with the Synod as its supreme court. It is the Church as a central body, and the assets owned centrally and managed by the Finance Committee, that are within the scope of the charity registration to which this report relates. (Congregations of the Church manage their own financial affairs, and their assets and transactions are not under the control of the Finance Committee. Some congregations are registered as charities in their own right.)

The Synod appoints committees to oversee various areas of the Church's work. Each committee reports annually to the Synod. The Finance Committee has overall responsibility for the Church's financial and central administrative affairs. The Committee decides on matters of policy, including investment policy, and makes decisions on applications from congregations for grants and loans.

Remuneration

The Finance Committee is responsible for setting the stipend level for ministers and home missionaries and the salaries and other conditions for staff employed centrally, including the General Treasurer. The Committee reviews the stipend and salaries in March each year and its general policy is to seek to adjust remuneration levels in line with changes in national average earnings, subject to availability of funds. Because some members of the Committee are ministers who receive stipends, the decision on the level of stipend is taken by those members of the Committee who are not ministers.

Taking account of earnings inflation and the Church's financial position up to the end of 2018, the Committee decided to increase the stipend for ministers by 2.8% to £23,187 with effect from 1 April 2019.

Finance Committee's responsibilities in relation to the financial statements

The Finance Committee is responsible for preparing the Committee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)).

The law applicable to charities in Scotland requires the charity 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 of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

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

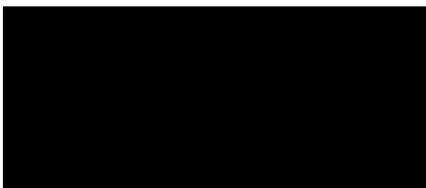
The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the Church's governing documents. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REFERENCE AND ADMINISTRATIVE DETAILS

The Free Presbyterian Church of Scotland has its administrative offices at 133 Woodlands Road, Glasgow, G3 6LE. The Church is registered as a charity in Scotland, with charity number SC003545. The Church's website is www.fpchurch.org.uk.

Charity Trustees

The members of the Finance Committee are recognised as the Charity Trustees in terms of the Charities and Trustee Investment (Scotland) Act 2005. The members of the Finance Committee serving during the year and since the year end were as follows:

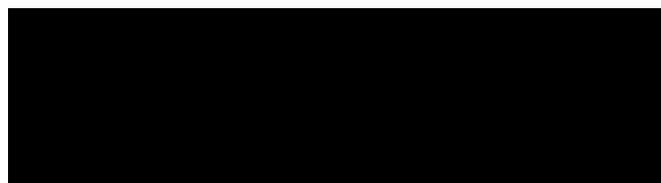


General Trustees

Title to the Church's assets is held by the General Trustees, for the purposes of the Church. The General Trustees hold office ex officio on the basis of certain other appointments within the Church, as identified below.

The General Trustees serving during the year and since the year end were as follows:

Moderator of Synod
Moderator of Synod
Clerk of Synod
Convener of the Finance Committee
General Treasurer



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE FREE PRESBYTERIAN CHURCH OF SCOTLAND

Opinion

We have audited the financial statements of the Free Presbyterian Church of Scotland (the 'Church') for the year ended 31 December 2018 which comprise of the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The relevant financial framework that has been applied in their preparation is applicable law and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Church's members, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Church's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Church and the Church's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Church's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its results, for the year then ended; and
- have been properly prepared in accordance with relevant reporting framework and, in particular the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Church in accordance with 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 Church'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 in the Finance Committee Report, but does not include the financial statements or our Report of the Auditors thereon.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE FREE PRESBYTERIAN CHURCH OF SCOTLAND

Our opinion on the financial statements does not cover the other information and 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, 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.

Opinion on other matters prescribed by the Statement of Recommended Practice

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Finance Committee Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Finance Committee Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Church and its environment obtained in the course of the audit, we have not identified material misstatements in the Finance Committee Report.

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Finance Committee Responsibilities set out on page nine, the Finance Committee, as 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 controls as the trustees determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and otherwise comply with the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006.

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

Our responsibilities for the audit of the financial statements

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 a Report of the Auditors 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Free Presbyterian Church of Scotland

STATEMENT OF FINANCIAL ACTIVITIES

Year ended 31 December 2018

	Note	2018			2017		
		Unrestricted funds	Restricted funds	Total funds	Unrestricted funds	Restricted funds	Total funds
		£	£	£	£	£	£
Income from:							
Donations:							
- Congregational contributions		-	473,085	473,085	-	554,299	554,299
- Other donations		4,786	1,171,761	1,176,547	686,211	1,265,391	1,951,602
- Legacies		-	50,465	50,465	5,271	-	5,271
Total donations		4,786	1,695,311	1,700,097	691,482	1,819,690	2,511,172
Charitable activities:							
- UK ministry and mission		-	121,863	121,863	1,859	124,159	126,018
- Residential care homes		-	1,363,380	1,363,380	-	1,302,218	1,302,218
- Publication and distribution		-	70,224	70,224	-	75,423	75,423
Total charitable activities		-	1,555,467	1,555,467	1,859	1,501,800	1,503,659
Investments	(2)	59,779	199,726	259,505	53,779	196,270	250,049
Other		-	154,562	154,562	-	5	5
Total income		64,565	3,605,066	3,669,631	747,120	3,517,765	4,264,885
Expenditure on:							
Raising funds:							
- Investment management		11,876	48,176	60,052	17,586	49,720	67,306
Charitable activities							
- UK ministry and mission		2,756	956,406	959,162	7,391	809,900	817,291
- Overseas ministry and mission		10,031	1,085,353	1,095,384	-	1,301,559	1,301,559
- Residential care homes		-	1,334,953	1,334,953	-	1,257,149	1,257,149
- Publication and distribution		-	107,436	107,436	-	114,673	114,673
Total charitable activities		12,787	3,484,148	3,496,935	7,391	3,483,281	3,490,672
Total expenditure	(3)	24,663	3,532,324	3,556,987	24,977	3,533,001	3,557,978
Net (losses) / gains on investments		(158,765)	(520,778)	(679,543)	174,738	569,225	743,963
Net (expenditure) / income		(118,863)	(448,036)	(566,899)	896,881	553,989	1,450,870
Transfers between funds	(15)	(100,900)	100,900	-	657,197	(657,197)	-
Other recognised gains / (losses):							
Actuarial gains / (losses) on defined benefit pension scheme	(16)	-	(62,000)	(62,000)	-	112,000	112,000
Net movement in funds	(14)	(219,763)	(409,136)	(628,899)	1,554,078	8,792	1,562,870
Reconciliation of funds:							
Total funds brought forward		3,623,391	10,483,852	14,107,243	2,069,313	10,475,060	12,544,373
Total funds carried forward		3,403,628	10,074,716	13,478,344	3,623,391	10,483,852	14,107,243

Free Presbyterian Church of Scotland

BALANCE SHEET

as at 31 December 2018

	Note	2018 Total funds £	2017 Total funds £
Fixed assets:			
Tangible assets	(6)	<u>2,098,374</u>	<u>2,186,549</u>
Investments:			
Programme related investments - concessionary loans	(8)	436,638	420,489
Other investments		<u>9,069,510</u>	<u>9,804,088</u>
Total investments	(7)	<u>9,506,148</u>	<u>10,224,577</u>
Total fixed assets		<u>11,604,522</u>	<u>12,411,126</u>
Current assets:			
Stocks	(9)	53,393	55,089
Debtors	(10)	76,299	211,196
Current asset investments - concessionary loans	(8)	21,546	25,680
Cash at bank and in hand		<u>2,132,262</u>	<u>1,897,407</u>
Total current assets		<u>2,283,500</u>	<u>2,189,372</u>
Liabilities			
Creditors: Amounts falling due within one year	(11)	<u>(56,678)</u>	<u>(177,255)</u>
Net current assets		<u>2,226,822</u>	<u>2,012,117</u>
Net assets excluding pension scheme liability		13,831,344	14,423,243
Defined benefit pension scheme liability	(16)	(353,000)	(316,000)
Total net assets		<u><u>13,478,344</u></u>	<u><u>14,107,243</u></u>
The funds of the Church:			
Restricted income funds	(13)	10,074,716	10,483,852
Unrestricted funds	(13)	3,403,628	3,623,391
Total Church funds		<u><u>13,478,344</u></u>	<u><u>14,107,243</u></u>

The notes on pages 17 to 33 form part of these financial statements

Approved by the Finance Committee on 19 March 2019



Rev  Convener of the Finance Committee



 General Treasurer

Free Presbyterian Church of Scotland

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018 Total funds £	2017 Total funds £
Cash flows from operating activities:		
Net cash provided by / (used in) operating activities	<u>(216,200)</u>	<u>610,211</u>
Cash flows from investing activities:		
Dividends, interest and rents from investments	(2) 259,505	250,049
Proceeds from sale of property, plant and equipment	183,536	1,500
Purchase of property, plant and equipment	(6) (28,986)	(17,252)
Net cash provided by investing activities	<u>414,055</u>	<u>234,297</u>
Change in cash and cash equivalents in the reporting period	197,855	844,508
Cash and cash equivalents at the beginning of the reporting period	1,897,407	1,095,834
Change in cash and cash equivalents due to exchange rate movements	37,000	(42,935)
Cash and cash equivalents at the end of the reporting period	<u>2,132,262</u>	<u>1,897,407</u>

RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the reporting period (as per the Statement of Financial Activities)	(566,899)	1,450,870
Adjustments for:		
Depreciation charges	(6) 88,187	89,564
Losses / (Gains) on investments	(7) 679,543	(743,963)
Dividends, interest and rents from investments	(2) (259,505)	(250,049)
Investment management charges deducted at source	(7) 55,035	60,790
Exchange rate movements	(37,000)	42,935
(Profit) on sale of fixed assets	(154,562)	(5)
Repayments of concessionary loans	(8) 30,409	33,913
Advances of concessionary loans	(8) (42,424)	(70,546)
Contributions less expense on defined benefit pension scheme	(16) (25,000)	(78,000)
Decrease / (Increase) in stocks	(9) 1,696	2,163
(Increase) / decrease in debtors	(10) 134,897	(41,661)
Increase / (decrease) in creditors	(11) (120,577)	114,200
Net cash (used in) operating activities	<u>(216,200)</u>	<u>610,211</u>

ANALYSIS OF CASH AND CASH EQUIVALENTS

	2,018 £	2017 £
Cash at bank and in hand	<u>2,132,262</u>	<u>1,897,407</u>
Total cash and cash equivalents	<u>2,132,262</u>	<u>1,897,407</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(1) PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The accounts are prepared under the historical cost convention, as modified by the revaluation of investments, and on an accruals basis.

The financial statements have been prepared in accordance with:

- The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102;
- The Charities and Trustee Investment (Scotland) Act 2005; and
- The Charities Accounts (Scotland) Regulations 2006 (as amended).

The trustees consider that there are no material uncertainties about the Church's ability to continue as a going concern.

The Church is a public benefit entity as defined in FRS 102.

Calculation of the deficit on the defined benefit pension scheme sponsored by the Church involves making assumptions regarding future experience. These are set out in Note (16). There are no other areas where judgements have been made which could significantly affect the amounts recognised in the accounts.

These accounts do not consolidate the results and assets and liabilities of individual congregations and they present information about the Church as an individual undertaking.

(b) Recognition of income

Income is recognised when the Church has satisfactory evidence of entitlement and likelihood of receipt, and when the amount can be reliably measured.

Congregational contributions are recognised on the basis of receipt or notification by the congregation of intended donation. The same criteria are used for other donations, although it is very rarely that these are notified prior to receipt. Legacies are recognised on the basis of written information from the executors which sufficiently confirms the Church's entitlement, sufficiency of funds within the estate, and the likely amount receivable by the Church.

All other types of income are recognised when receivable.

(c) Expenditure

Centrally incurred support costs are allocated across the funds by reference to time spent by central administrative staff. Most funds support a single activity but where more than one activity is supported by a particular fund, the costs are further allocated between activities in proportion to the levels of direct expenditure (including grant making) on each activity.

Contributions to defined contribution pension schemes, and life insurance costs, are allocated to activities on the same basis as the other employment costs of the staff involved.

(d) Depreciation

The cost or valuation of tangible fixed assets, less any residual value, is depreciated over the estimated useful economic lifetimes of the assets as follows:

- Heritable property - at 2% per year on a straight line basis
- Fixtures and equipment - at 10% per year on a straight line basis
- Computer equipment - at 33.33% per year on a straight line basis
- Motor vehicles - at 25% per year on a reducing balance basis

(e) Investments

Fixed asset investments held within the Church's investment portfolios are listed investments. These are stated initially at cost and subsequently at fair value (closing quoted market price).

The trustees have opted to measure the (interest free) concessionary loans at the amount receivable.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(f) Current assets and liabilities

Stocks are valued at the lower of cost and net realisable value.

Debtors are measured at their recoverable amounts.

Current asset investments represent the portion of concessionary loan repayments which is expected to be received within less than one year. These are measured as the amount receivable.

Cash at bank and in hand includes the value of bank accounts with notice periods of less than three months.

Creditors are measured as the amounts payable.

(g) Foreign currency transactions

Transactions entered into in foreign currencies are translated into sterling at the spot rate at the date of the transaction. Monetary balances denominated in foreign currencies are translated into sterling at the spot rate at each balance sheet date. Profits and losses on exchange rate movements are taken to the Statement of Financial Activities.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(2) INVESTMENT INCOME	2018	2017
	£	£
Dividends and other income on listed investments	244,875	245,895
Interest on cash deposits	14,630	4,154
	<u>259,505</u>	<u>250,049</u>

(3) EXPENDITURE

Activity or programme	Activities undertaken directly	Grant funding of activities	Support costs		2018 Total	2017 Total
			Governance costs	Other support costs		
			£	£		
Raising funds	55,035	-	1,989	3,028	60,052	67,306
Charitable activities:						
- UK ministry and mission	636,852	276,633	21,486	24,191	959,162	817,291
- Overseas ministry and mission	326,842	727,150	21,885	19,507	1,095,384	1,301,559
- Residential care homes	1,321,414	-	6,480	7,059	1,334,953	1,257,149
- Publication and distribution	79,713	-	11,635	16,088	107,436	114,673
Total charitable activities	<u>2,364,821</u>	<u>1,003,783</u>	<u>61,486</u>	<u>66,845</u>	<u>3,496,935</u>	<u>3,490,672</u>
Total	<u>2,419,856</u>	<u>1,003,783</u>	<u>63,475</u>	<u>69,873</u>	<u>3,556,987</u>	<u>3,557,978</u>

Support costs are allocated as described in Note 1(c).

The items included in support costs are as follows:

	2018	2017
	£	£
Governance costs:		
- Staff costs	23,480	22,889
- Legal and professional	1,322	2,287
- Audit	6,872	6,636
- Committee and Synod expenses	26,672	24,588
- Trustee insurance	5,129	4,480
	<u>63,475</u>	<u>60,880</u>
Other support costs:		
- Staff costs	59,269	57,777
- Miscellaneous office costs	10,604	13,050
	<u>69,873</u>	<u>70,827</u>
Total support costs	<u>133,348</u>	<u>131,707</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(4) GRANTS

	UK ministry and mission £	Overseas ministry and mission £	2018 Total £	2017 Total £
Grants to congregations				
Pulpit supply costs:				
Sustentation Fund	19,222	-	19,222	13,154
Home Mission Fund	6,163	-	6,163	8,245
	<u>25,385</u>	<u>-</u>	<u>25,385</u>	<u>21,399</u>
Property related costs:				
R W Forsyth Fund:				
Applecross	-	-	-	1,102
Creich	2,572	-	2,572	-
Dundee, Perth and Stirling	513	-	513	682
Edinburgh	9,717	-	9,717	52,125
Fort William	500	-	500	491
Gairloch	1,926	-	1,926	1,719
Glasgow	-	-	-	408
North Harris	100,344	-	100,344	34,557
North Uist	-	-	-	2,000
	<u>115,572</u>	<u>-</u>	<u>115,572</u>	<u>93,084</u>
Specified donations:				
Wellington (earthquake protection)	-	-	-	15
Donations under gift aid scheme	83,811	-	83,811	84,192
Miscellaneous	8,703	-	8,703	200
	<u>92,514</u>	<u>-</u>	<u>92,514</u>	<u>84,407</u>
Total grants to congregations	<u>233,471</u>	<u>-</u>	<u>233,471</u>	<u>198,890</u>
Other grants				
Zimbabwe mission	-	654,352	654,352	922,575
Kenya mission	-	1,083	1,083	1,129
Israel mission	-	38,600	38,600	30,000
Eastern Europe mission	-	27,965	27,965	21,785
Australia and New Zealand Presbytery	-	2,150	2,150	5,357
Divinity student maintenance grants	34,869	-	34,869	16,104
Trinitarian Bible Society:				
Synod donation	2,000	-	2,000	2,000
Legacy	6,293	-	6,293	-
Ndebele Bible	-	2,000	2,000	-
Eastern Europe literature	-	1,000	1,000	-
The Christian Institute	-	-	-	1,000
Total other grants	<u>43,162</u>	<u>727,150</u>	<u>770,312</u>	<u>999,950</u>
Total grants	<u>276,633</u>	<u>727,150</u>	<u>1,003,783</u>	<u>1,198,840</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(4) GRANTS (continued)

The grant of £27,965 to the Eastern Europe mission comprised £20,896 to individuals and £7,069 to the mission entity. Divinity student maintenance grants of £34,869 were to individuals. No other grants were made to individuals.

Support costs are allocated between the Church's charitable activities as shown in Note (3), and are not further analysed between grant making and other components of each charitable activity. The proportionate share of support costs that might be attributed to grant making activities is £13,830 for UK ministry and mission, and £28,560 for Overseas ministry and mission.

Some donations are specified as for the benefit of particular congregations of the Church. The value of such donations (together with tax reclaimed, where appropriate) is paid as grants to the relevant congregations, and the total amount is shown in the above analysis. The amounts paid to individual congregations are not sufficiently material to merit separate analysis.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(6) TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Equipment £	Computer Equipment £	Motor Vehicles £	Total £
Cost:					
At beginning of year	2,698,945	399,573	11,975	8,595	3,119,088
Additions	18,061	10,490	435	-	28,986
Disposals	(43,900)	-	-	-	(43,900)
At end of year	2,673,106	410,063	12,410	8,595	3,104,174
Cumulative depreciation and impairments:					
At beginning of year	588,369	329,205	11,736	3,229	932,539
Disposals	(14,926)	-	-	-	(14,926)
Depreciation charge for year	53,462	32,999	384	1,342	88,187
At end of year	626,905	362,204	12,120	4,571	1,005,800
Net book value at end of year	2,046,201	47,859	290	4,024	2,098,374
Net book value at beginning of year	2,110,576	70,368	239	5,366	2,186,549

Tangible fixed assets are held at deemed cost.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(7) INVESTMENTS

	Cash and cash equivalents	Listed investments	Programme related investments	Total
	£	£	£	£
Value at beginning of year	404,924	9,399,164	420,489	10,224,577
Change in market value	-	(679,543)	-	(679,543)
Management fees	-	(55,035)	-	(55,035)
Additions / loan advances	-	-	42,424	42,424
Disposals / loan repayments	-	-	(7,697)	(7,697)
Transfers	93,248	(93,248)	(18,578)	(18,578)
Value at end of year	498,172	8,571,338	436,638	9,506,148

The amounts shown as "cash and cash equivalents" and "listed investments" are held within the Church's investment portfolios.

The programme related investments are concessionary interest free loans (see Note (8)). The amounts stated above for concessionary loans represent the portion of the loan repayments expected after more than one year. Transfers out of this category of investment represent the repayments that have moved into current assets during the year.

The Church's investment policy is to seek to maintain the value in real terms of the investments while generating income to support ongoing activities. Investment income represents a relatively small proportion of the Church's total income, although certain activities rely heavily on the investment income. Accordingly, the main risks arising from the investments are a sharp reduction in the level of income, and a failure over the longer term to maintain the value of the investments, and hence of the level of future income. Adverse events of these types could result from investment market conditions or underperformance of the investment managers.

The trustees manage these risks by maintaining well diversified portfolios, comprising mainly listed equities but with some exposure to bonds and other classes of investment; by monitoring investment manager performance quarterly; and by maintaining other resources at a level that allows continuity of activities in the event of short term fluctuations in investment income (taking account of the extent to which some activities can be curtailed in the short term in such a scenario).

The trustees do not anticipate a requirement to realise the investments in the short term. Shorter term volatility in the market value of the investments is not, therefore, a significant risk to the Church. Although liquidity is not a primary consideration, the investments held are quoted and readily tradeable.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(8) CONCESSIONARY LOANS RECEIVABLE

	At beginning of year	Advanced in year	Repaid in year	At end of year
	£	£	£	£
Congregational loans from General Building Fund:				
Barnoldswick	33,055	-	(4,132)	28,923
Carterton	94,535	-	(3,185)	91,350
Larne	3,700	-	-	3,700
Sydney	36,775	-	-	36,775
	<u>168,065</u>	<u>-</u>	<u>(7,317)</u>	<u>160,748</u>
Congregational loans from R W Forsyth Bequest Fund:				
Edinburgh	98,156	4,721	-	102,877
Fort William	49,479	-	-	49,479
Gairloch	45,502	-	(1,399)	44,103
Laide	9,453	-	(1,151)	8,302
North Harris	13,006	37,703	-	50,709
North Uist	6,938	-	(6,938)	-
Shieldaig	3,427	-	(500)	2,927
Staffin	11,400	-	(3,600)	7,800
Stornoway	33,869	-	(9,000)	24,869
Uig	2,800	-	-	2,800
	<u>274,030</u>	<u>42,424</u>	<u>(22,588)</u>	<u>293,866</u>
Manse furnishing loans from General Fund	4,074	-	(504)	3,570
	<u>446,169</u>	<u>42,424</u>	<u>(30,409)</u>	<u>458,184</u>
Total concessionary loans receivable				
Receivable within one year	25,680			21,546
Receivable after more than one year	<u>420,489</u>			<u>436,638</u>
	<u>446,169</u>			<u>458,184</u>

The concessionary loans are programme related investments. Loans are issued to congregations of the Church to assist with costs of acquisition and maintenance of ecclesiastical properties owned and used by the congregations; or to ministers of the Church to assist with manse furnishing costs.

The portion of the repayments which are expected within less than one year are included within current asset investments, and the portion expected after more than one year within fixed asset investments.

The loans are interest free and are unsecured (although the repayment arrangements, detailed below, would enable the trustees to recover the outstanding repayments in the event of sale of the congregational properties which had benefited from the loans).

Loan repayment terms are agreed at outset based on the congregation's capacity for annual repayment costs, which is measured by reference to the congregation's recent history of revenue surpluses or deficits. Repayment terms at outset are always at least 10 years. Loans are reviewable by the trustees, and the level of required annual repayments may be increased or decreased on the basis of the congregation's financial position at the time of the review.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(9) STOCKS

	2018	2017
	£	£
Residential care homes	420	428
Publication and distribution	52,973	54,661
	<u>53,393</u>	<u>55,089</u>

The value of stocks sold in charitable activities during the year was £16,716 (2017: £20,834).

(10) DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	£	£
Trade debtors	51,592	131,076
Prepayments and accrued income	24,082	79,107
Other debtors	625	1,013
	<u>76,299</u>	<u>211,196</u>

(11) CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	£	£
Accruals for grants payable	3,554	5,357
Trade creditors	22,374	25,373
Accruals and deferred income	30,750	146,525
	<u>56,678</u>	<u>177,255</u>

(12) FUND PURPOSES AND RESTRICTIONS

The Church has established a number of funds to support its activities. Most of the funds have been in operation for many years, and together the funds reflect the nature of the Church's activities and financial management.

Unless otherwise stated in the list below, donations can be received into any of the funds. Those marked with * are the funds to which donations are currently invited. Although other funds can receive donations, they generally rely on alternative sources of income, or existing assets, to support their activities. In particular, a number of the funds are supported by transfers from other funds, as described in Note (15).

In general, the restrictions applying to each fund reflect the stated purpose of that fund, of which donors are aware (in most cases donors will specify the fund to which they wish their donation to be added). Where a fund's restriction arises differently, this is indicated in the list below.

None of the restricted funds are endowment funds. Taking account of the long term nature of the Church's activities and commitments, the trustees consider it prudent to manage the R W Forsyth Bequest Fund by seeking to maintain the real value of the capital in order to protect the annual income on which certain of the Church's activities depend. This method of managing the fund does not, however, imply a restriction on realisation of the capital of the fund.

The Church's funds are as follows:

Restricted income funds:

Sustentation Fund * - Payment of UK ministers' salaries, and pulpit supply expenses of congregations which do not have a minister.

Home Mission Fund * – Payment of UK missionaries' salaries, and pulpit supply expenses of congregations which are regularly supplied by a home missionary.

Aged and Infirm Ministers, Widows and Orphans Fund – Provision of pensions and related benefits.

College and Library Fund * - Supports all aspects of the work of training ministers and maintaining the Church's library, including grants for students, salaries for tutors, and the theological conference.

Bookroom Fund * – Sale of Christian literature.

Publications Fund – Publication of Christian literature.

Magazines Fund – Production and distribution of the Church's two monthly magazines, the quarterly Gaelic supplement and the annual Synod reports.

Welfare of Youth Fund – Activities and resources for young people, including the annual youth conference, and prizes and awards for the Scripture and Catechism exercises.

Organisation Fund – Supports central administration expenses, which are then recouped via transfers received from other funds.

General Building Fund * – Used to give grants and loans to congregations for assistance with their property costs. With the R W Forsyth Fund largely fulfilling this role for congregations in Scotland, the General Building Fund is normally used for congregations outside Scotland.

Outreach Fund * – Used to support efforts to reach people outside the Church. It is mainly used in the UK due to the existence of other funds specifically for overseas mission work.

Ballifeary Care Home Fund – Operation of the Church's residential care home for the elderly at Inverness.

Leverburgh Care Home Fund – Operation of the Church's residential care home for the elderly at Leverburgh, Isle of Harris.

R W Forsyth Bequest Fund – Restricted by the terms of the Will to use within Scotland, to help the elderly, the young, and for property costs (with other relatively insignificant restrictions). The fund incurs direct expenditure in the form of grants to congregations (within Scotland) for help with property costs, and also makes transfers to other funds to cover the cost of pension and related benefits and youth activities. This fund was established to receive a specific legacy and no further donations will be added to it.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

Jewish and Foreign Missions Fund * – Supports the Church's overseas missionary work. Currently, this work is mainly in Zimbabwe, with some expenditure in Israel and Kenya.

Mbuma Zending Fund – Receives donations from the Mbuma Zending mission organisation in the Netherlands, for the purpose of supporting the Church's African missions. Expenditure is in the form of transfers to the Jewish and Foreign Missions Fund. This fund was established to receive donations from a specific donor, and donations from other sources cannot be received into it. (Any other donations for the purpose of supporting the Church's overseas missions are received into the Jewish and Foreign Missions Fund.)

Ebenezer Zending Fund – Supports a specific aspect of the Church's Zimbabwe mission work (the Thembeiso Children's Home). The fund's assets arose from a restricted donation for this purpose many years ago. Expenditure is in the form of transfers to the Jewish and Foreign Missions Fund, usually of amounts equal to the interest earned on the fund. This fund was established to receive a specific donation and no further donations will be added to it.

Overseas Fund * – Supports the Church's overseas congregations, mainly through funding travel expenses.

Eastern Europe Fund * – Supports the Church's work in Eastern Europe, including the congregation in the Ukraine and general missionary work in Eastern European countries.

China Mission Fund – This fund is for missionary work in China.

Miscellaneous Restricted Fund - This fund receives miscellaneous restricted income where the restrictions do not come within the scope of those governing any of the other restricted funds. The main component of income is donations for specified congregations of the Church, which are applied by making grants to these congregations.

Pension Reserve - Represents the surplus or deficit on the Church's final salary pension scheme (which is now closed to accrual of benefits), calculated in accordance with the relevant accounting standards. Because it has been, and will continue to be, financed from restricted funds, the Pension Reserve is included within restricted funds. This fund does not receive donations.

Unrestricted funds:

Congregational Development Fund – The trustees have designated this fund for support of congregations in specified circumstances. The part of the Fund arising from sale of properties at Kames and Dumbarton is designated for the establishment of new congregations and support of relatively new congregations. The remainder of the Fund arose from sale of properties at Vancouver, and is designated for support of the Church's activities in North America.

General Fund – This fund receives the Church's unrestricted income and is used to support any aspect of the Church's work which is not sufficiently supported by available restricted funds. Although no part of this fund has been formally designated for a specific purpose, its main priority would be to support the purposes of the Sustentation Fund, if necessary.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(13) SUMMARY OF FUND ASSETS

	Tangible fixed assets	Loans receivable	Other investments	Net current assets	Pension fund deficit	Total
	£	£	£	£	£	£
Restricted income funds:						
Sustentation	-	-	-	68,349	-	68,349
Home Mission	-	-	-	50,460	-	50,460
Aged & Infirm	-	-	-	-	-	-
College & Library	2,191	-	-	88,601	-	90,792
Bookroom	290	-	-	(83,722)	-	(83,432)
Publications	-	-	-	86,556	-	86,556
Magazines	-	-	-	12,286	-	12,286
Welfare of Youth	-	-	-	-	-	-
Organisation	-	-	-	-	-	-
General Building	-	153,431	-	(40,548)	-	112,883
Outreach	90	-	-	53,555	-	53,645
Ballifeary Care Home	922,745	-	-	488,336	-	1,411,081
Leverburgh Care Home	190,102	-	-	66,315	-	256,417
R W Forsyth Bequest	887,761	280,141	6,620,494	(369,763)	-	7,418,633
Jewish & Foreign Missions	-	-	317,966	45,767	-	363,733
Mbuma Zending	-	-	-	239,413	-	239,413
Ebenezer Zending	-	-	-	64,000	-	64,000
Overseas	-	-	-	92,338	-	92,338
Eastern Europe	94,104	-	-	74,980	-	169,084
China Mission	-	-	-	21,478	-	21,478
Miscellaneous Restricted	-	-	-	-	-	-
Pension Reserve	-	-	-	-	(353,000)	(353,000)
Total restricted funds	2,097,282	433,572	6,938,460	958,402	(353,000)	10,074,716
Unrestricted funds						
Congregational Development	-	-	636,986	734,000	-	1,370,986
General	1,092	3,066	1,494,064	534,420	-	2,032,642
Total unrestricted funds	1,092	3,066	2,131,050	1,268,420	-	3,403,628
Total funds	2,098,374	436,638	9,069,510	2,226,822	(353,000)	13,478,344

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(14) SUMMARY OF FUND MOVEMENTS

	<i>Balance brought forward</i>	<i>Income</i>	<i>(Expenditure)</i>	<i>Transfers</i>	<i>Gains / (losses)</i>	<i>Surplus / (deficit) for year</i>	<i>Balance carried forward</i>
	£	£	£	£	£	£	£
Restricted income funds:							
Sustentation	61,652	408,409	(396,735)	(4,977)	-	6,697	68,349
Home Mission	68,017	25,816	(42,046)	(1,327)	-	(17,557)	50,460
Aged & Infirm	-	46,299	(122,347)	76,048	-	-	-
College & Library	109,239	34,592	(51,380)	(1,659)	-	(18,447)	90,792
Bookroom	(73,187)	36,580	(45,033)	(1,792)	-	(10,245)	(83,432)
Publications	89,264	1,973	(1,562)	(3,119)	-	(2,708)	86,556
Magazines	11,759	42,617	(33,376)	(8,714)	-	527	12,286
Welfare of Youth	-	986	(6,533)	5,547	-	-	-
Organisation	-	18,020	(124,204)	106,184	-	-	-
General Building	106,789	7,421	-	(1,327)	-	6,094	112,883
Outreach	51,658	10,620	(7,638)	(995)	-	1,987	53,645
Ballifeary Care Home	1,377,563	784,281	(747,113)	(3,650)	-	33,518	1,411,081
Leverburgh Care Home	228,773	606,708	(576,144)	(2,920)	-	27,644	256,417
R W Forsyth Bequest	7,924,880	333,536	(182,555)	(161,904)	(495,324)	(506,247)	7,418,633
Jewish & Foreign Missions	428,110	79,493	(989,781)	871,365	(25,454)	(64,377)	363,733
Mbuma Zending	96,458	1,029,764	-	(886,809)	-	142,955	239,413
Ebenezer Zending	64,000	386	-	(386)	-	-	64,000
Overseas	48,178	19,811	(7,981)	32,330	-	44,160	92,338
Eastern Europe	185,221	18,948	(34,090)	(995)	-	(16,137)	169,084
China Mission	21,478	-	-	-	-	-	21,478
Miscellaneous Restricted	-	98,806	(98,806)	-	-	-	-
Pension Reserve	(316,000)	-	(65,000)	90,000	(62,000)	(37,000)	(353,000)
Total restricted funds	10,483,852	3,605,066	(3,532,324)	100,900	(582,778)	(409,136)	10,074,716
Unrestricted funds							
Congregational Development	768,263	19,957	(12,941)	640,216	(44,509)	602,723	1,370,986
General	2,855,128	44,608	(11,722)	(741,116)	(114,256)	(822,486)	2,032,642
Total unrestricted funds	3,623,391	64,565	(24,663)	(100,900)	(158,765)	(219,763)	3,403,628
Total funds	14,107,243	3,669,631	(3,556,987)	-	(741,543)	(628,899)	13,478,344

(15) TRANSFERS BETWEEN FUNDS

As described in Note (12) some of the funds hold specific past donations, or receive donations from specific donors, while other funds receive regular income and incur regular expenditure. This fund structure has historically met the needs of the Church's donors and beneficiaries in terms of presentation of information. Transfers are then made from funds in the first category to funds in the second category, to support the expenditure. The largest transfer between funds is from the Mbumba Zending Fund to the Jewish and Foreign Missions Fund, and it illustrates the above process. All the relevant expenditure (associated with the Zimbabwe mission in particular) is allocated to the Jewish and Foreign Missions Fund, in the interests of clarity and completeness of presentation. A transfer is then made from the Mbumba Zending Fund to cover the portion of that expenditure which is consistent with the restrictions of the Mbumba Zending Fund.

The Aged and Infirm Ministers, Widows and Orphans Fund incurs expenditure on pensions and related benefits. Most of this expenditure is supported by a transfer from the R W Forsyth Fund. Since the R W Forsyth Fund is restricted to use in Scotland, there are also smaller transfers from other funds to support that part of pension costs which relates to activities outside Scotland.

Central administrative costs are incurred in the Organisation Fund. This Fund receives a transfer from the General Fund to offset a portion of these costs, and the remainder is recovered via receipt of transfers from the other funds (see Note (3) for further information on the allocation of these support costs).

Congregational Development Fund

The assets of this Fund arose from sale of properties belonging to congregations of the Church which have ceased to exist. The Fund is a Designated Fund within Unrestricted Income Funds.

Up to 31 December 2017 the assets in the Fund were those arising from the former congregations at Kames and Dumbarton and these assets had been designated for the benefit of new or recently formed congregations. During 2017 income of £683,666 was received from another former congregation, at Vancouver, Canada, into the General Fund (which is also an unrestricted fund). At the Church's annual meeting of Synod in May 2018 it was decided that the Church's congregations in North America would have priority in the use of these funds received from Vancouver. The trustees have therefore decided to transfer these now-designated monies from the General Fund into the Congregational Development Fund, the latter Fund comprising assets with a similar designation.

The transfer was implemented with effect from 1 January 2018 and transactions during 2018 were accounted for in the Congregational Development Fund.

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(16) DEFINED BENEFIT PENSION SCHEME

The Church sponsors a UK-based defined benefit pension scheme, providing benefits at retirement and on death. The scheme has been closed to accrual of benefits since 31 October 2010. The most recent full funding assessment was as at 1 April 2017, and as a result of that assessment the Church has agreed to pay deficit reduction contributions of £71,000 each year in 2017 and 2018, and £80,000 each year from 2019 until 2027. The Church also meets the administrative costs of the scheme and levies to the Pension Protection Fund.

The defined benefit obligation at 31 December 2018 was calculated by adjusting the results of the full funding assessment at 1 April 2017, to take account of the financial and mortality assumptions set out below, and of experience and settlements between these two dates. The calculations at both dates were carried out by an independent actuary.

Following the English High Court ruling on 26 October 2018 in the case of Lloyds Banking Group Pension Trustees Ltd v Lloyds Bank plc, the Church has decided to make an allowance for the cost of Guaranteed Minimum Pensions (GMPs) equalisation. The Church and the trustees of the scheme have not yet decided on the method of GMP equalisation, and an approximate allowance of 2% of the defined benefit obligations has therefore been made for the purpose of these accounts. The independent actuary has been instructed to use that allowance in her calculations but has not been asked to consider the appropriateness of the allowance.

Principal assumptions:	2018	2017
Inflation (CPI)	2.5%	2.5%
Discount rate	2.7%	2.4%
Salary increases	0.0%	0.0%
Life expectancies (years):		
male aged 65 now	21.2	21.2
at 65 for male aged 45 now	22.9	22.9
female aged 65 now	23.2	23.2
at 65 for female aged 45 now	25.1	25.1
Analysis of change in defined benefit obligation:		£
Opening defined benefit obligation		3,086,000
Interest cost		73,000
Actuarial (gains)		(110,000)
Benefits paid		(124,000)
Benefit changes		58,000
Closing defined benefit obligation		<u>2,983,000</u>
Analysis of change in fair value of plan assets:		£
Opening fair value of plan assets		2,770,000
Interest income		66,000
Actuarial (losses)		(172,000)
Contributions		90,000
Benefits paid		(124,000)
Closing fair value of plan assets		<u>2,630,000</u>
Net liability:		<u>353,000</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2018

(16) DEFINED BENEFIT PENSION SCHEME (continued)

The amount recognised as an expense in respect of the defined benefit plan was £65,000 (2017: £12,000). The amount recognised as a loss was £62,000 (2017: gain of £112,000). The total cost was thus £127,000 (2017: improvement of £100,000).

Included in the recognised expense is £58,000 (2017: nil) in respect of GMP equalisation.

Assets of the plan (at fair value):	2018	2017
	£	£
Equities	1,092,000	1,202,000
Bonds	693,000	694,000
Property	93,000	91,000
Insured pensions	432,000	468,000
Cash	320,000	315,000
	<u>2,630,000</u>	<u>2,770,000</u>

The return on plan assets was -£106,000 (2017: £215,000).