

**The
Incorporated
Catholic
Truth
Society**

**Annual Report and Financial
Statements**

31 December 2019

Company Limited by Guarantee
Registration Number
00057374 (England and Wales)

Charity Registration Number
218951

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Reference and administrative details

Trustee management board	Rt Rev. P Hendricks (Chairman) Rev David Elliott (appointed 21 January 2020) Mrs C A Gates Mrs K Nash Dr W O'Neill Mr L Parsons QC Rev Dr A Pinsent
General Secretary and Company Secretary	Mr F Martin (resigned 31 January 2019)
Interim CEO	Ms Elizabeth Bond (appointed 1 February 2019, resigned 31 August 2019)
CEO, Publisher and Company Secretary	Mr Pierpaolo Finaldi (appointed 2 September 2019)
Registered office	40-46 Harleyford Road Vauxhall London SE11 5AY
Company registration number	00057374 (England and Wales)
Charity registration number	218951
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Principal bankers	The Royal Bank of Scotland plc 24 Grosvenor Place London SW1X 7HN
Solicitors	Fox Williams LLP, Solicitors 10 Finsbury Square London EC2A 1AF

The trustees present their report together with the financial statements of The Incorporated Catholic Truth Society (the 'Society', 'Charity' or 'CTS') for the year ended 31 December 2019.

The report has been prepared in accordance with the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies on pages 21 to 25 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements 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 United Kingdom and Republic of Ireland (FRS 102).

Our mission, aims and activities

Our mission

The Mission of the Society is to carry out its apostolate of Catholic publishing and distribution for the benefit of the Catholic and wider Christian community, and of a wider body of general enquirers. The Mission of the Society is also to disseminate Catholic publications at reasonable prices. The Society receives financial and spiritual support from the Catholic community to carry out its work. In pursuit of its charitable aims during 2019, the Society sought to develop its publications, to distribute them widely and actively to contribute to the life of the Church. The Society made efforts to care for its resources, including staff, suppliers, customers and supporters.

Our objectives

The Charity's main objects as set out in its Memorandum and Articles of Association are:

- ◆ to spread information about Catholic truth and to make better known the faith, practice and history of the Catholic Church.
- ◆ to assist the uneducated poor and others to a better knowledge of the Catholic religion, and with that object, and generally, to promote the circulation of and to disseminate books and publications inculcating and advancing Catholic truth and teaching.
- ◆ To promote information on religious, historical and controversial subjects by conference, public and private meetings, lectures, discussions, books, correspondence with public bodies and individuals or otherwise.

Our mission, aims and activities (continued)

Activities and relevant policies

These objects are achieved through the principal activity of the Society which is the publishing and disseminating of low-priced doctrinal, scriptural and educational works, assisting all Catholics to a better knowledge of their religion, spreading amongst non-Catholics information about the faith, and assisting the circulation of Catholic books and other audio, audio visual and electronic media.

Each of these activities has the principal aim of spreading knowledge of the Christian faith as wide as is possible within the United Kingdom, and increasingly beyond in other English speaking constituencies. They serve the practising Catholic community, parishes, families, colleges and schools, as well as the wider groupings of general enquirers of other faiths and none. Such materials as these raise interest in the Catholic faith, the Society's apostolate and gain new supporters, enabling the Society to continue its charitable work.

In setting the Society's objectives and planning its activities, the trustees have given consideration to the Charity Commission's guidance on public benefit.

Achievements and performance

Publishing

CTS published a total of 17 new publications in 2019 which consisted of the usual mix of Liturgical, scriptural, bibliographical and devotional publications. Of these three were Liturgical titles and included the CTS Holy Week Missal – People's Edition. Four were Vatican documents and included 'Aperuit illis' which was published at the same time as a 14 page leaflet prepared for the 'The Year of the Word' in England and Wales.

CTS also published 2 biographies of St John Henry Newman to celebrate his canonisation in October 2019. One hardback biography of the 'Life and Works of St John Henry Newman' with specially commissioned pictures and a revised edition booklet on his legacy by the renowned Newman scholar Father Ian Ker. CTS also produced a Prayer card to mark the occasion and this was distributed at celebratory events in Rome and around the UK.

CTS continued with the necessary strategy of increasing the Recommended Retail Prices (RRP's) on its publications and reducing its list of titles to focus on specific audiences and relevant content.

Sales and marketing

CTS produced an annual catalogue, compact but elegant in form and display, that included short blurb descriptions for all backlist titles. This had a very positive effect, as like to like backlist sales for 2019 increased 8.8% in comparison with backlist sales for 2018. The Society achieved one of its main objectives for 2019 of presenting a robust and comprehensive backlist accessible to all.

Achievements and performance (continued)

Sales and marketing (continued)

CTS successfully contributed to the formation of the Faithful and spread of the Catholic Faith promoting key Papal and Vatican Documents like 'Christus Vivit' on the formation of the young, as well as increasing sales of its well-known catechetical YOUCAT products and Evangelium courses. CTS also contributed to 'The Year of the Word: The God who speaks' with the promotion of an explanatory leaflet for parishes and the new title 'A Year With The Bible: 365 Daily Reflections'

CTS continued to increase its social media presence creating more interactive content resulting in more engaged audiences. It also developed a number of digital campaigns via social media and email throughout the year. The canonisation of St John Henry Newman saw a spike in interest in titles on Newman, particularly the two new titles, 'St John Henry Newman: His Life and Works' and 'John Henry Newman: His Life and Legacy', while links to CTS publications on the official Newman Canonisation website also significantly aided performance.

Organisation

CTS successfully implemented a staff restructure, delivering a simpler and more agile organisational structure led by its CEO & Publisher appointed in September 2019 in line with its strategic review plans. Overheads have been cut significantly and costs reduced across the board.

Throughout 2019, CTS continued to design and develop its new e-commerce website which was launched at the start of December. The website is integrated into CTS' new CRM and Accounts Package. Customers are able to reach publications from different devices and the much improved user experience has been a great success. Work to make the new system stable and resolve functional teething issues will continue into 2020.

The Bookshop

The decision was taken in 2018 to close down the CTS Bookshop and this was completed on 31 January 2019. The lease ended on 30 June 2019.

Fundraising

The CTS continued its mission in 2019 to bring hope to prisoners and to support the work of prison chaplains. It published the first 'Catholic Prisoners Prayer' book which was launched at the National Roman Catholic Prison Chaplains Training Conference in September 2019. The project was funded by a grant from a Trust awarded in September 2018 which enabled it to publish and distribute 30,000 copies of the booklet to over 100 UK prisons. This resource was well received by prison chaplains and prisoners alike.

One of our Authors from the United States also donated funds to cover the costs of printing 2,000 copies of her book 'a New Companion to Prayer' which were distributed to the Catholic Prison Chaplaincy.

Achievements and performance (continued)

Fundraising (continued)

CTS's Bible for Prisoners Appeal also raised funds via its Just Giving website to dispatch 69 bibles to prisoners in UK prisons.

The Advent appeal letter sent to donors and regular supporters in December 2019 introduced the new CEO and his plans for CTS, and resulted in increased donations at the end of 2019 into 2020.

Financial report for the year

Results for the year

Total income for the year amounted to £1,449,567 (2018 – £2,078,939). Publishing sales during 2019 amounted to £1,124,995 (2018 – £1,316,112). Also included within income are legacies receivable amounting to £221,597 (2018 – £282,630); this includes one very large legacy of £137,649 (2018 – one large legacy of £200,000). Total income from donations and legacies for the year was £293,195 (2018 – £438,739).

Total expenditure amounted to £1,357,834 (2018 – £2,485,165), and continues to include a number of one-off restructuring costs including staff restructuring costs of £15,258 (2018 – £110,114), and in 2018 – £54,668 relating to the closure of the shop.

The surplus for the year, before actuarial movements on the defined benefit pension scheme liability, was £91,733 (2018 – a deficit of £406,226).

Reserves policy

An important feature of the Society's work and charitable aims is that in pursuing its religious publishing, distribution and retailing it must engage directly in trading activities, which involve not insignificant elements of risk. The Society uses what trading income and non-trading income it receives to further its charitable activities.

Funds set aside in 2017 following the strategic review were used in 2018 and the first half of 2019 to close the shop, move all distribution to a third party warehouse facility, to develop the new website and restructure the business to ensure that costs are reduced in line with plans for the future.

Planning permission for the latest redevelopment plans for St Anne's Settlement are likely to be submitted in Summer 2020, with a possible temporary local relocation planned for Spring 2022. Requirements for unrestricted funds for this relocation will be discussed with the Settlement and £150,000 has been set aside for this purpose.

The Society's reserves policy aims to strike a balance between having sufficient funds to pursue vigorously its charitable objective of publishing and distributing good Catholic resources on the one hand, and the need to maintain some kind of provision against unforeseen misfortune, on the other. The trustees are of the opinion that the size of such a buffer should be approximately equal to at least three months' unrestricted cash expenditure.

Financial report for the year (continued)

Reserves policy (continued)

Coronavirus pandemic

CTS was well prepared to move to working from home without any interruption to all its services. Sales and distribution operations have continued seamlessly and a number of urgent publications have been produced under lockdown.

The COVID-19 crisis has had a significant negative effect on trade sales due to the closure of bookshops, of book distributors and the downgrading of book sales by online retailers such as Amazon. The other main sources of CTS sales, Catholic Parishes, have also been completely closed to the public, reducing sales very significantly.

On the positive side, sales to individuals have increased as CTS books have been of great value to people in maintaining their devotional and liturgical life in lockdown. Social media has also proved vital to maintaining the faith in this time and CTS has seen significantly higher engagements with its social media output.

CTS has shifted its editorial and production capacity to longer term projects and invested time conserving its cash reserves by delaying new publications and reprints. The Charity has concentrated on maintaining cashflow by improving credit control and concentrating efforts on filing prompt claims for Gift Aid and VAT; staffing needs have been kept under review in the light of the Government's Coronavirus Job Retention Scheme. The Charity is in a good position regarding liquidity, but in the light of the current Corona Virus-related slump, the Charity's cash reserves will be monitored closely.

The trustees acknowledge that there will be challenges that lie ahead as a result of the pandemic. However, they believe that the Charity will be able to withstand these from a financial perspective and hence that it is appropriate for the Charity to prepare its financial statements on a going concern basis.

Financial position

The balance sheet shows total funds of £805,155 (2018 – £957,422).

Funds restricted to specific purposes amounted to £17,282 (2018 – £16,157).

Funds totalling £300,000 (2018 – £358,641) have been designated, or set aside, by the trustees for specific purposes. These purposes and an analysis of the movements on the funds are set out in note 15 to the financial statements.

General funds of the Charity at 31 December 2019 were £859,873 (2018 – £940,624). Offset against general funds is a pension reserve of £372,000 (2018 – £358,000). At 31 December 2019 the Charity had 'free reserves' of £825,773 (2018 – £900,710) being the general funds after deducting the net book value of tangible fixed assets i.e. £34,100 (2018 – £39,914).

Financial report for the year (continued)

Financial position (continued)

The level of free reserves meets the desired buffer as described in the reserves policy above. However, the trustees will remain vigilant, especially during the current crisis, managing cash flow, reserves and expenditure on print and other capital projects to mitigate the impact of the reduction in orders. The trustees will continue with the strategic review which has already resulted in the closure of the shop and the restructure of the Charity.

Plans for the future

CTS is prepared for significant changes in the Liturgical landscape in the coming years. The CEO will be leading a team of employees and contractors who are uniquely qualified and experienced in this field to ensure that CTS will play a significant role going forward.

The CTS will continue to expand its audio and video content and has begun a series of interviews with CTS authors that are being released across all podcast and social media platforms.

Coronavirus

CTS has increased the number of titles it offers through Amazon by 500% to take advantage of the increased internet searches for Catholic materials available for delivery. It has also reviewed its e-book offerings and resumed production of e-books across all platforms.

CTS is working to provide a Covid compliant office space which offers its staff the safety of socially distanced working conditions while providing all necessary IT support to those who can and wish to continue to work from home.

Governance, structure and management

Governance

The company, which is limited by guarantee (Company Registration No. 00057374 (England and Wales)), is registered for charitable purposes with the Charity Commission (Charity Registration No. 218951).

The trustees are the directors of the Society for the purposes of company law.

The Trustee Management Board is currently made up of the Chairman and six members and meets quarterly to review the activities of the Society; the meetings were also attended by the General Secretary, the interim CEO or CEO and Publisher (as relevant). The trustees review up to date management accounts and business plans. They regularly receive a management reports from the General Secretary, interim CEO or CEO and Publisher (as relevant) on progress in key areas of the Society's apostolate, principally publishing, distribution, fundraising, and (whilst it was open) the retail bookshop. Progress is monitored against an annual plan containing key objectives, activities and targets. The trustees periodically review staffing, training, the Society's risk register, pension provisions and liabilities, as well as major strategic projects requiring significant investment or otherwise central to the apostolate.

Governance, structure and management (continued)

Governance (continued)

A sub-committee reviews salary proposals made by the CEO and Publisher each year. The process is informed by the Society's own salary review policy, performance, management process and comparative data from the voluntary and private sectors.

Each trustee has responsibility for monitoring the Charity's activities in specific areas and the skills mix of the members is reviewed regularly to ensure that the trustees have all the necessary skills and experience required to support the management team and the Charity's best development.

New trustees are appointed by the Trustee Management Board after a formal recruitment process, supplemented by consultation with their advisers and the Catholic community. Thereafter, a candidate is invited to attend up to two Board meetings to gain knowledge of the Society's work and the level of commitment and expertise it requires. Thereafter the Board may confirm the appointment. Appointment is initially for a term of three years. Members may be reappointed for further terms. Members bring to the Board their own considerable professional experience and relevant skill sets for the benefit of the Society. Information on trustee responsibilities, made available for example by the Charity Commission, is circulated from time to time to the trustees.

The following trustees were in office during the year ended 31 December 2019 or have been appointed subsequent to the year end:

Trustee	Appointed/ Resigned
Rt Rev Paul Hendricks (Chairman)	
Rev David Elliott	Appointed 21 January 2020
Mrs Carrie Anne Gates	
Mrs Kate Nash	
Dr William O'Neill	
Mr Luke Parsons QC	
Rev Dr Andrew Pinsent	
Company secretary	
Mr Fergal Martin	Resigned 31 January 2019
Mr Pierpaolo Finaldi	Appointed 2 September 2019

No trustee received any remuneration in connection with services as a member of the Trustee Management Board (2018 – £nil). Reimbursement of expenses incurred in attending meetings amounted to £1,539 (2018 – £1,106). No trustee had any beneficial interest in any contract with the Charity during the year.

Brief biographical details of each of the trustees who served during the year are given below.

Rt Rev Paul Hendricks (Chairman), MA (Oxon), PhL; is a Roman Catholic Bishop, a former Seminary Bursar, and former Parish Priest with several years' experience of overseeing parish finances.

Governance, structure and management (continued)

Governance (continued)

Rev. David Elliott is a priest of the Ordinariate of Our Lady of Walsingham, Priest for the Reading Ordinariate Mission and the Head of Theology at The Oratory School.

Carrie Ann Gates (Treasurer), is a finance manager specialising in insurance accounting with many years' experience in financial and management controls, planning and reporting. She is very active in a local Catholic parish and an enthusiastic member of Girlguiding as a multi-sectional leader and division commissioner.

Kate Nash is experienced in market research, marketing and public relations. She was formerly head of marketing and communications for a dot com; a co-director of an innovative marketing and publicity company for UK publishers; and a published novelist. In 2009 she founded the Kate Nash Literary Agency which represents the careers of bestselling authors as well as new talent.

Dr William O'Neill was educated in Manchester and Loughborough. He is a graduate of a number of Universities and has a PhD in Software Engineering. He has worked for large multinationals, public and charity sectors leading IT and business change programmes, most recently as Chief Technology Officer for the National Childbirth Trust.

Luke Parsons QC is a barrister specialising in Commercial Law.

Rev Andrew Pinsent is a Research Fellow of Harris Manchester College, Research Director of the Ian Ramsey Centre for Science and Religion at Oxford University. A philosopher, theologian, priest, former businessman and former high energy physicist at CERN, he is a contributor via the media and his work in schools to public engagement with science, faith and the big questions of life.

Trustees' responsibilities statement

The Charity's trustees (who are also directors for the purposes of company law) is responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the income and expenditure 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing the accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102);

Governance, structure and management (continued)

Trustees' responsibilities statement (continued)

- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom 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 Charity will continue in operation.

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 Companies Act 2006. 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.

Each of the trustees confirms that:

- ◆ so far as they are aware, there is no relevant audit information of which the Charity's auditor is unaware; and
- ◆ The trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Liability of the members

The liability of the members is limited by guarantee. In the event of the company being wound up during the period of membership or within the year following, members are each required to contribute an amount not exceeding £1.

Organisational structure

Until his resignation, the Society's General Secretary acted as its chief executive officer with responsibility for the day to day management of the Society's business. The General Secretary reported to the trustees formally every quarter. A senior management team assisted him and met monthly to review finances and progress on the strategic plan, future opportunities and risks. In February 2019, an interim CEO replaced the General Secretary and continued, in substance, to fulfil the same role. In September 2019, the role was replaced by a permanent CEO and Publisher, who fulfils the same function.

The Society's staff operate in dedicated teams responsible across the principal functions of the Society's apostolate; they meet regularly with their managers to ensure that key targets and objectives are being met.

Governance, structure and management (continued)

Organisational structure (continued)

The trustees monitor the Charity's activities in operational areas and constant regard is had to the skills mix of the members to ensure that the trustees have all the necessary skills required to contribute to the Charity's development.

Key management personnel

The key management personnel of the Society, responsible for directing and controlling, running and operating the Charity on a day to day basis, comprise the trustees together with the CEO.

The trustees set the remuneration of and determine any annual salary awards for the CEO and Publisher. Reference is made to remuneration for similar roles in the Charity and private sectors, the level of responsibilities and skills attaching to the role, and the role itself in relation to other similar and different roles within the organisation. Regard may also be had to the annual job role performance review and to the particular standards, expectations and outcomes for the role. Finally, the overall financial performance of the Society is also considered in setting remuneration.

Employees

The Incorporated Catholic Truth Society strives to be an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress both within and outside the organisation. The Incorporated Catholic Truth Society is committed to a programme of action to make this policy effective and brings it to the attention of all employees.

Volunteers

Over 500 volunteers manage CTS parish racks in parishes and other locations up and down the country, introducing enquirers and parishioners to material to support and nurture their faith. It is impossible to quantify the value and the full impact of this support, not only in parishes but also in schools. A lively and active parish bookrack can become a unique support to parish priests and pastoral workers in their outreach programs. We are always grateful to that small number of volunteers who help us on an ad hoc basis at various times in the year at our offices or warehouse on small but important projects and support.

Governance, structure, and management (continued)

Risk management

The trustees continue to assess the major risks to which the Charity is exposed, in particular those relating to the specific operational areas and finances.

The current areas under review are:

- ♦ Financial Position – The trustees are aware of the need to remain vigilant and continue the work of the strategic plan in 2020 to reduce costs and increase sales revenue, as described above.
- ♦ Structure of the Charity – The trustees will monitor the new organisational structure to ensure that it delivers the budgeted cost savings in 2020.
- ♦ Head Office Relocation – The trustees and the CEO will work with St Anne's Settlement, the Society's landlord, and Notting Hill Genesis, the Settlement's development partner, to ensure a smooth and cost efficient temporary relocation and return to the Vauxhall Site once planning permission is finally submitted. This is expected to take place in Summer 2020 and will be confirmed later in the year. The relocation is provisionally planned for early 2022.
- ♦ Coronavirus – The Audit and Finance Sub-committee will be monitoring the impact of Corona Virus at monthly meetings and will be re-forecasting on a rolling basis as the effect becomes clearer. Mitigation plans will be drawn up to protect reserves and increase in income in a difficult marketplace.

The trustees believe that by monitoring reserve levels, by ensuring controls exist over key financial systems and that where necessary they are adapted or strengthened, and by examining the operational and business risks faced by the Charity, they have established effective systems to mitigate those risks.

Signed on behalf of the trustees:


Carrie Ann Gates (Aug 5, 2020 15:14 GMT+1)

Carrie Ann Gates

Trustee

Approved on: 5 August 2020

Independent auditor's report to the members of The Incorporated Catholic Truth Society

Opinion

We have audited the financial statements of The Incorporated Catholic Truth Society (the 'charitable company') for the year ended 31 December 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. 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).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company'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 charitable company's affairs as at 31 December 2019 and of 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 Companies Act 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company 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.

Emphasis of matter – Coronavirus 2020

We draw attention to the report of the trustees and the principal accounting policy in respect to the assessment of going concern, both of which describe the operational disruption the charitable company is facing as a result of COVID-19 and the impact this may have on the charity's finances. Our opinion is not modified in respect of this matter.

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.
- ◆ The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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 Annual Report and Financial Statements, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the trustees' report, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report, which is also the directors' report for the purposes of company law, 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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 in respect to the remuneration of trustees specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit

Trustees' responsibilities

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors for the purposes of company law) 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.

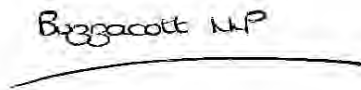
In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate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

Auditor's 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 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.

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

A handwritten signature in dark ink, appearing to read "Amanda Francis", with a horizontal line drawn underneath it.

Amanda Francis (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Statement of financial activities Year to 31 December 2019

	Notes	Unrestricted funds £	Restricted funds £	Total 2019 £	Unrestricted funds £	Restricted funds £	Total 2018 £
Income from:							
Donations and legacies	1	313,549	1,125	314,674	416,944	21,795	438,739
Interest receivable		9,898		9,898	4,698	—	4,698
Charitable activities							
. Publication sales	2	1,124,995	—	1,124,995	1,625,925	—	1,625,925
. Membership subscriptions		—	—	—	9,577	—	9,577
Total income		1,448,442	1,125	1,449,567	2,057,144	21,795	2,078,939
Expenditure on:							
Raising funds	3	42,638	—	42,638	70,773	—	70,773
Charitable activities							
. Publication and dissemination of Catholic publications	4	1,315,196	—	1,315,196	2,403,208	11,184	2,414,392
Total expenditure		1,357,834	—	1,357,834	2,473,981	11,184	2,485,165
Net income (expenditure)		90,608	1,125	91,733	(416,837)	10,611	(406,226)
Actuarial (losses) gains on defined benefit pension scheme	18	(244,000)	—	(244,000)	142,000	—	142,000
Net movement in funds	7	(153,392)	1,125	(152,267)	(274,837)	10,611	(264,226)
Reconciliation of funds:							
Total funds brought forward at 1 January 2019		941,265	16,157	957,422	1,216,102	5,546	1,221,648
Total funds carried forward at 31 December 2019		787,873	17,282	805,155	941,265	16,157	957,422

There were no recognised gains and losses other than those set out in the statement of financial activities above.

Statement of financial activities Year to 31 December 2019

Analysis of continuing and discontinued operations

On 11 October 2018, the trustees unanimously agreed that the activities of the Westminster retail shop would be terminated due to continuing losses and the lease renewal due in June 2019. The shop's activities represented a significant area of operations for the Charity as a whole and income and expenditure in respect to them ceased in July 2019. The table below provides an analysis of the financial results split between the Charity's continuing operations and discontinued operations (which relate wholly to the Westminster retail shop). Income and expenditure in respect to the discontinued operations were wholly unrestricted.

	2019			2018		
	Continuing £	Dis- continued £	Total £	Continuing £	Dis- continued £	Total £
Income	1,428,830	20,737	1,449,567	1,769,126	309,813	2,078,939
Expenditure	(1,601,039)	(12,653)	(1,613,692)	(2,031,926)	(453,239)	(2,485,165)
Net (expenditure) income for the year	(172,209)	8,084	(164,125)	(262,800)	(143,426)	(406,226)
Actuarial (losses) gains on defined benefit pension scheme	(244,000)	—	(244,000)	142,000	—	142,000
Net movement in funds	(416,208)	8,084	(408,125)	(120,800)	(143,426)	(264,226)

Balance sheet 31 December 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	10		34,100		39,914
Current assets					
Stocks	11	136,911		279,503	
Debtors	12	208,630		437,201	
Short term deposits		959,280		967,475	
Cash at bank and in hand		9,582		34,820	
		1,314,403		1,718,999	
Creditors: amounts falling due within one year	13	(171,348)		(443,491)	
Net current assets			1,143,055		1,275,508
Total net assets excluding pension liability			1,177,155		1,315,422
Pension liability	18	(372,000)		(358,000)	
Total net assets including pension liability			805,155		957,422
 The funds of the Charity					
Restricted funds	14		17,282		16,157
Unrestricted funds					
. Designated funds	15		300,000		358,641
. General funds		859,873		940,624	
. Pension reserve	18	(372,000)		(358,000)	
			415,873		582,624
			805,155		957,422

Approved by the trustees
and signed on their behalf by:

Carrie Ann Gates
Carrie Ann Gates (Aug 5, 2020 15:14 GMT+1)

Carrie Ann Gates
Trustee

Approved on: 5 August 2020

The Incorporated Catholic Truth Society
Company Registration Number: 00057374 (England and Wales)

Statement of cash flows Year to 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(32,331)	(359,068)
Cash flows from investing activities:			
Interest received		9,898	4,698
Purchase of tangible fixed assets		(11,000)	(38,508)
Net cash used in by investing activities		(1,102)	(33,810)
Change in cash and cash equivalents in the year		(33,433)	(392,878)
Cash and cash equivalents at 1 January 2019	B	1,002,295	1,395,173
Cash and cash equivalents at 31 December 2019	B	968,862	1,002,295

Notes to the statement of cash flows for the year to 31 December 2019.

A Reconciliation of net movement in funds to net cash used in operating activities

	2019 £	2018 £
Net movement in funds (as per the statement of financial activities)	(152,267)	(264,226)
Adjustments for:		
Depreciation charge	16,814	12,043
Actuarial losses (gains) on pension scheme	244,000	(142,000)
Pension cost less contributions payable	(237,000)	(162,000)
Pension finance cost	7,000	14,000
Interest receivable	(9,898)	(4,698)
Decrease in stocks	142,592	239,330
Decrease (increase) in debtors	228,571	(239,980)
(Decrease) increase in creditors	(272,143)	188,463
Net cash used in operating activities	(32,331)	(359,068)

B Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	9,582	34,820
Short term deposits	959,280	967,475
Total cash and cash equivalents	968,862	1,002,295

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of accounting

These financial statements have been prepared for the year to 31 December 2019 with comparative information given in respect to the year ended 31 December 2018.

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

The financial statements have been prepared in accordance with 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 (Charities FRS 102 SORP 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

The most significant areas of adjustment and key assumptions that affect items in the financial statements are in respect to:

- ◆ assessing the probability of receiving legacies of which the Charity has been notified;
- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation charge;
- ◆ assessing the appropriateness of any provision for slow moving or obsolete stock;
- ◆ assessing the appropriateness of any provision needed against doubtful and bad debts;
- ◆ assessing the appropriateness of the underlying assumptions of the actuarial valuation of the pension scheme; and
- ◆ determining the expected level of publication sales and costs in the light of the CoViD-19 pandemic.

With respect to the next reporting period, the actuarial valuation of the pension scheme and the current uncertainty regarding the impact of the coronavirus pandemic remain the most significant areas of uncertainty that may affect the carrying value of assets held by the Charity.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of at least one year from the date of approval of these financial statements.

The COVID-19 crisis has had a significant negative effect on trade sales due to the closure of bookshops, of book distributors and the downgrading of book sales by online retailers such as Amazon. The other main sources of CTS sales, Catholic Parishes, have also been completely closed to the public, reducing sales very significantly. However, CTS has shifted its editorial and production capacity to longer term projects and invested time conserving its cash reserves by delaying new publications and reprints. The Charity has concentrated on maintaining cashflow by improving credit control and concentrating efforts on filing prompt claims for Gift Aid and VAT; staffing needs have been kept under review in the light of the Government's Coronavirus Job Retention Scheme. Additionally, CTS has increased the number of titles it offers through Amazon by 500% to take advantage of the increased internet searches for Catholic materials available for delivery. It has also reviewed its e-book offerings and resumed production of e-books across all platforms.

Reserves will be protected by simplifying the range of high cost items in the short term, and work will continue on projects which will see a return in the longer-term as the Catholic liturgical landscape evolves.

Therefore, the trustees are of the opinion that the Charity has planned carefully in order to meet its liabilities as they fall due and, whilst they acknowledge that there will be challenges ahead, they are of the opinion that the use of the going concern assumption in the preparation of these financial statements is appropriate..

Income recognition

Income is recognised in the period in which the Charity is entitled to receipt and the amount can be measured reliably and it is probable that the income will be received. Income is deferred only when the Charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Income comprises donations, legacies, interest receivable, income from the sale of publications, and membership subscriptions and related income.

Donations are recognised when the Charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Income recognition (continued)

Legacies are included in the statement of financial activities when the Charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the Charity.

Entitlement is taken as the earlier of the date on which either: the Charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the Charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Charity, or the Charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the Charity.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid of payable by the bank.

Income from publication sales is recognised when the significant risks and rewards of ownership have transferred to the buyer. This is usually at the point of sale. This includes sales of publications to schools and parishes who benefit from reduced prices.

Income from membership subscriptions and related income is recognised to the extent that it is probable that the economic benefits will flow to the Charity and the revenue can be measured reliably. It is measured at fair value, being the amount invoiced and considered receivable, excluding any discounts or rebates.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the Charity. This includes staff costs and direct costs associated with generating donated income and an allocation of support costs.

Expenditure recognition (continued)

- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the Charity through the provision of its charitable activities. Such costs include staff costs, direct and support costs including governance costs.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the Charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the Charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are apportioned using percentages based on the time spent on the activities by the employees of the Charity.

Tangible fixed assets

All assets costing in excess of £500 and with an estimated useful life exceeding one year are capitalised in these financial statements.

Depreciation is provided at the following annual rates on a straight line basis in order to write off each asset over its estimated useful life:

- ◆ Computers and office equipment 33⅓% on cost

Stocks

Stocks of books and pamphlets for resale are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stock.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. Debtors have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the Charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund structure

The general funds comprise those monies which may be used towards meeting the charitable objectives of the Charity and may be applied at the discretion of the trustees.

The pension reserve is the net liability on the Charity's defined benefit pension scheme.

The designated funds are monies set aside out of general funds for specific purposes by the trustees.

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions to defined contribution pension schemes and to employees' personal pension plans are charged to the statement of financial activities in the year in which they are payable.

The Charity operates a defined benefits pension scheme which is closed to new members and no existing employees are members. The scheme is funded by contributions from the employer. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Actuarial gains and losses are recognised in the statement of financial activities as part of other recognised gains and losses for the period.

1 Income from: Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2019 £	Unrestricted funds £	Restricted funds £	Total 2018 £
Donations	91,952	1,125	93,077	134,314	21,795	156,109
Legacies	221,597	—	221,597	282,630	—	282,630
	313,549	1,125	314,674	416,944	21,795	438,739

2 Income from: Publication sales

The publication sales are attributable to two main areas:

- ◆ the publishing and/or distribution of pamphlets, books and other media; and
- ◆ the sale of books and religious articles via a retail shop.

An analysis of publication sales for the year is given below:

	United Kingdom		Overseas		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Publishing	921,977	1,052,693	182,281	263,419	1,104,258	1,316,112
Retail shop	20,737	309,813	—	—	20,737	309,813
	942,714	1,362,506	182,281	263,419	1,124,995	1,625,925

3 Expenditure on: Raising funds

	Unrestricted funds £	Restricted funds £	Total 2019 £	Unrestricted funds £	Restricted funds £	Total 2018 £
Staff costs	29,655	—	29,655	53,448	—	53,448
Premises costs	—	—	—	3,298	—	3,298
Communications	12,779	—	12,779	665	—	665
Computer expenses	—	—	—	7,820	—	7,820
Depreciation	—	—	—	466	—	466
Banking and other costs	204	—	204	1,774	—	1,774
Professional fees	—	—	—	1,973	—	1,973
Auditor's remuneration	—	—	—	1,329	—	1,329
	42,638	—	42,638	70,773	—	70,773

4 Expenditure on: Publication and dissemination of Catholic publications

	Unrestricted funds £	Restricted funds £	Total 2019 £	Unrestricted funds £	Restricted funds £	Total 2018 £
<i>Publishing</i>						
Cost of publication sales	364,922	—	364,922	567,815	—	567,815
Cost of despatch, shipping, and storage	168,792	—	168,792	183,442	—	183,442
Advertising and marketing costs	24,913	—	24,913	61,346	11,184	72,530
Staff and related costs	549,627	—	549,627	833,952	—	833,952
Premises costs	36,221	—	36,221	48,986	—	48,986
Communications	7,629	—	7,629	9,877	—	9,877
Computer costs	82,187	—	82,187	116,140	—	116,140
Depreciation	16,814	—	16,814	6,926	—	6,926
Banking and other costs	22,951	—	22,951	26,338	—	26,338
Consultancy	—	—	—	53,051	—	53,051
Professional fees	9,018	—	9,018	25,157	—	25,157
Auditor's remuneration	19,469	—	19,469	16,939	—	16,939
	1,302,543	—	1,302,543	1,949,969	11,184	1,961,153
<i>Operation of retail shop</i>						
Cost of retail shop sales	13,353	—	13,353	189,924	—	189,924
Cost of despatch, shipping, and storage	(145)	—	(145)	15,154	—	15,154
Shop closure costs	—	—	—	54,668	—	54,668
Staff costs	—	—	—	127,942	—	127,942
Premises costs	(1,879)	—	(1,879)	38,077	—	38,077
Communications	149	—	149	1,364	—	1,364
Computer costs	(140)	—	(140)	7,504	—	7,504
Depreciation	—	—	—	4,652	—	4,652
Banking and other costs	(67)	—	(67)	7,002	—	7,002
Professional fees	1,382	—	1,382	4,155	—	4,155
Auditor's remuneration	—	—	—	2,797	—	2,797
	12,653	—	12,653	453,239	—	453,239
	1,315,196	—	1,315,196	2,403,208	11,184	2,414,392

5 Support costs

	Cost of raising funds £	Retail shop sales £	Publishing sales £	Total 2019 £	Cost of raising funds £	Retail shop sales £	Publishing sales £	Total 2018 £
Staff costs (note 8a)	29,655	—	549,627	579,282	53,448	127,943	833,952	1,015,343
Premises costs	—	(1,879)	36,221	34,342	3,298	38,077	48,986	90,361
Communications	12,779	149	7,629	20,557	665	1,364	9,877	11,906
Computer costs	—	(140)	82,187	82,047	7,820	7,504	116,140	131,464
Depreciation	—	—	16,814	16,814	466	4,652	6,926	12,044
Bank charges	204	(67)	22,951	23,088	1,774	7,002	26,338	35,114
Consultancy	—	—	—	—	—	—	53,051	53,051
Professional fees (note 6)	—	1,382	9,018	10,400	1,973	4,155	25,157	31,285
Auditor's remuneration (note 6)	—	—	19,469	19,469	1,329	2,797	16,939	21,065
	42,638	(555)	743,916	785,999	70,773	193,494	1,137,366	1,401,633

6 Governance costs

	Unrestricted funds £	Restricted funds £	Total 2019 £	Unrestricted funds £	Restricted funds £	Total 2018 £
Professional fees	9,018	—	9,018	31,285	—	31,285
Auditor's remuneration	19,469	—	19,469	21,065	—	21,065
	28,487	—	28,487	52,350	—	52,350

7 Net movement in funds

This is stated after charging:

	Total 2019 £	Total 2018 £
Staff costs (note 8a)	579,282	1,015,343
Auditor's remuneration		
. Current year audit fee	18,000	21,228
. (Over) under provision in prior period	(1,178)	(163)
. Pension scheme audit fee	2,647	2,652
Depreciation	16,814	12,043
Operating lease rentals	15,066	35,072

8a Employee and key management remuneration

	Total 2019 £	Total 2018 £
Staff costs during the year were as follows:		
Wages and salaries	467,256	757,581
Social security costs	39,767	69,429
Other pension costs	48,800	85,655
Redundancies	15,258	80,366
Other staff costs	8,201	22,312
	579,282	1,015,343
Staff costs per function were as follows:		
Costs of generating voluntary income	29,655	53,448
Publishing	535,368	833,953
Operation of a retail shop	—	127,942
	565,023	1,015,343

No employee earned over £60,000 (including taxable benefits but excluding employer's pension contributions) during the year (2018 – one employee earned between £70,000 and £80,000).

No contributions were made to the personal pension schemes of higher paid members of staff during (2018 – contributions of £8,052 were made to the scheme of one employee).

The average number of employees, analysed by function, was:

	Average headcount	
	2019	2018
Fundraising	1	3
Publishing	12	18
Operation of a retail shop	—	7
	13	28

8a Employee and key management remuneration (continued)

Key management personnel

Key management personnel comprise the trustees and (prior to his resignation) the General Secretary and (subsequent to his appointment) the CEO and Publisher with the Interim CEO being regarded as key management in the intervening period. The total remuneration (including taxable benefits and employer's national insurance contributions) payable to key management personnel during the year was £113,510 (2018 – £86,602).

8b Trustees' remuneration

No trustee received any remuneration in respect of their services as a trustee during the year (2018 – £nil); two trustees received reimbursement of out-of-pocket expenses which amounted to £2,436 (2018 – £1,106).

9 Taxation

The Incorporated Catholic Truth Society is a registered charity and therefore is not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

10 Tangible fixed assets

	Computers and office equipment		
	Head office £	Retail shop £	Total £
Cost			
At 1 January 2019	53,910	6,156	60,066
Additions	11,000	—	11,000
Disposals	—	(6,156)	(6,156)
At 31 December 2019	64,910	—	64,910
Depreciation			
At 1 January 2019	13,996	6,156	20,152
Charge for year	16,814	—	16,814
Disposals	—	(6,156)	(6,156)
At 31 December 2019	30,810	—	30,810
Net book values			
At 31 December 2019	34,100	—	34,100
At 31 December 2018	39,914	—	39,914

11 Stocks

	2019 £	2018 £
Publications for sale	136,911	279,503

12 Debtors

	2019 £	2018 £
Publication sales	65,878	80,637
Other debtors	38,893	35,764
Legacies receivable	83,927	286,292
Prepayments and other accrued income	19,932	34,508
	208,630	437,201

13 Creditors: amounts falling due within one year

	2019 £	2018 £
Expense creditors	30,627	91,594
Taxation and social security costs	6,870	17,769
Royalties	78,397	80,502
Other creditors	1,472	2,566
Accruals and deferred income	53,982	251,060
	171,348	443,491

14 Restricted funds

	At 1 January 2019 £	Income £	Expenditure £	Transfers £	At 31 December 2019 £
Prisoners' appeal	16,157	1,055	—	—	17,212
University fund appeal	—	70	—	—	70
Total restricted funds	16,157	1,125	—	—	17,282

	At 1 January 2018 £	Income £	Expenditure £	Transfers £	At 31 December 2018 £
Prisoners' appeal	5,546	10,715	(104)	—	16,157
University fund appeal	—	11,080	(11,080)	—	—
Total restricted funds	11,325	21,795	(11,184)	—	16,157

Since 2008, the Charity has on occasions made appeals to make some of its publications available to deserving or less fortunate groups. The Charity continues to consider such appeals desirable and helpful. Each year the Charity appeals for support to supply free CTS materials to Catholic University chaplaincies in the UK during freshers' week. An appeal was launched during 2015 to make available Catholic resources in prisons and completed during the year ended 31 December 2016. Any unspent balances on this fund may be transferred to general funds due to the inclusion of a clause enabling the Society to apply any amount raised over and above that which was needed for its general purposes.

15 Designated funds

	At 1 January 2019 £	New designations £	Utilised/ released £	At 31 December 2019 £
Relocation fund	250,000	—	(100,000)	150,000
Transformation fund	108,641	42,000	(641)	150,000
	358,641	42,000	(100,641)	300,000

	At 1 January 2018 £	New designations £	Utilised/ released £	At 31 December 2018 £
Relocation fund	500,000	—	(250,000)	250,000
Transformation fund	300,000	—	(191,359)	108,641
Anniversary fund	50,000	—	(50,000)	—
	850,000	—	(491,359)	358,641

The **Relocation Fund** represents funds set aside towards a possible relocation of the Charity's office premises.

The **Transformation Fund** has been put in place to allow the Charity to further improve its technology infrastructure and make working in new and more flexible ways more efficient and convenient in future.

The **Anniversary Fund** represented funds set aside to mark the 150th Anniversary of the Charity's foundation and was fully utilised during the prior year.

16 Analysis of net assets (excluding pension liability) between funds

	General funds £	Designated funds £	Restrict ed funds £	Total 2019 £	General funds £	Designated funds £	Restricted funds £	Total 2018 £
Fund balances at 31 December 2019 are represented by:								
Tangible fixed assets	34,100	—	—	34,100	39,914	—	—	39,914
Net current assets	825,773	300,000	17,282	1,143,055	900,710	358,641	16,157	1,275,508
Total net assets excluding pension liability	859,873	300,000	17,282	1,177,155	940,624	358,641	16,157	1,315,422

17 Liability of members

The Charity is constituted as a company limited by guarantee. In the event of the Charity being wound up, members are each required to contribute an amount not exceeding £1.

18 Pension commitments

The Charity operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held independently from the Charity's finances. The contributions are determined on the basis of triennial valuations by a qualified actuary using the projected unit method.

The scheme's assets consist of a unitised with profits policy with Phoenix Life Group, an investment bond, annuity policies held in the name of the trustees and a bank account.

The value of the scheme's assets (excluding the value of annuity policies held in the name of the trustees) as at 31 December 2019 was £1,653,000 (2018 – £1,390,000).

The Charity's contributions to the scheme were £237,000 for the year. The scheme is closed to new members and no existing employees are members.

Present values of scheme liabilities, fair value of assets and deficit

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets	1,281	1,032	844	1,284	1,127
Present value of scheme liabilities	(1,653)	(1,390)	(1,492)	(2,029)	(1,510)
Deficit in scheme	(372)	(358)	(648)	(745)	(383)

Movement in deficit during the year

	2019 £'000	2018 £'000
Deficit at 1 January 2019	(358)	(648)
Contributions	237	162
Net loss on scheme	(7)	(14)
Actuarial (losses) gains	(244)	142
Deficit at 31 December 2019	(372)	(358)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2019 £'000	2018 £'000
Fair value of assets at start of period	1,032	844
Expected return on scheme assets	33	23
Actuarial gains	15	3
Benefits paid	(36)	—
Contributions by the Society	237	162
Fair value of assets at end of period	1,281	1,032

18 Pension commitments (continued)**Reconciliation of opening and closing balances of the present value of scheme liabilities**

	2019 £'000	2018 £'000
Present value of liabilities at start of period	1,390	1,492
Interest cost	40	37
Actuarial losses (gains)	259	(139)
Benefits paid	(36)	—
Present value of liabilities at end of period	1,653	1,390

The estimated value of the employer contributions for the year ending 31 December 2020 is £93,000 (2019 – £137,000).

Actuarial assumptions

A full actuarial valuation was carried out at 30 June 2014 and updated to 31 December 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	2019	2018	2017	2016	2015
Discount rate	2.10%	2.9%	2.50%	2.70%	3.90%
Rate of increase in pensions in payment for pensionable service from 6 April 1997	3.60%	3.7%	3.70%	3.70%	3.70%
Inflation assumption (RPI)	3.00%	3.2%	3.20%	3.40%	3.30%

The mortality assumptions adopted at 31 December 2019 imply the following life expectancies in years:

	Current pensioners	Retiring in 20 years
Males	23.0	24.4
Females	24.9	26.4

The assets in the scheme and the expected rate of return

	Value at 31 December 2019 £'000	Value at 31 December 2018 £'000	Value at 31 December 2017 £'000
Assets			
Equities	103	91	101
Bonds	21	18	20
Unitised with profits	709	715	675
Cash	448	208	48
Total market value of assets	1,281	1,032	844
Actuarial value of liability	(1,653)	(1,390)	(1,492)
Deficit	(372)	(358)	(648)

18 Pension commitments (continued)

No long term expected rate of return has been provided as for accounting periods beginning on or after 1 January 2015. The expected return and interest cost have been replaced with a single net interest cost.

Information in respect to statement of financial activities

Analysis of net return on pension scheme

	2019 £'000	2018 £'000
Net interest cost and net return	(7)	(14)

Amounts recognised as other gains and losses

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	15	3
Change in financial and demographic assumptions underlying the scheme assets	(259)	139
Actuarial (losses) gains recognised	(244)	142

19 Related party transactions

Aside from the transactions disclosed in note 8b, no transactions with related parties took place during 2019 (2018 – none).

20 Leasing commitments

Operating leases

At 31 December 2019 the Charity had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2019 £	2018 £	2019 £	2018 £
Operating lease payments which expire:				
Within one year	11,500	15,750	3,773	2,150

The operating lease liabilities are subject to the terms of the agreements relating to the relevant land and buildings and other assets.

The Trustees
The Incorporated Catholic
Truth Society
40-46 Harleyford Road
London
SE11 5AY

14 September 2020

Our ref C0691/ASF/MRK

Ladies and Gentlemen

Post-Audit Report – Year ended 31 December 2019

The purpose of this letter is to bring to your attention the findings from our recent audit of the financial statements of The Incorporated Catholic Truth Society for the year ended 31 December 2019. We appreciate that you will already be aware of some of the matters contained in this letter. However, in accordance with International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

1. Purpose of the audit

Our work during the audit was performed with a view to expressing an opinion on the financial statements for the year ended 31 December 2019 and other matters required by legislation.

Our audit work included consideration of the internal controls relevant to the preparation of the financial statements 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 your system of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance.

2. Audit progress

Despite the Covid-19 pandemic causing some setbacks, we were able to complete our audit work in accordance with the agreed timetable.

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Pierpaolo Finaldi, Liz Whitby, Angelina Dias and Gregorio Tena.

3. Annual report and financial statements' format

The financial statements have been prepared, as last year, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP FRS 102).

There are no significant changes to the format of the financial statements this year, other than the alterations required as a result of the current Coronavirus pandemic.

4. Auditor's report: Emphasis of matter – Coronavirus

We intend to issue an unqualified opinion in our auditor's report, however, we wish to draw attention to the disclosures made in the trustees' report concerning the impact of the coronavirus on the charity. Our opinion is not modified in respect of this matter.

Certain disclosures are required within the financial statements of the charity in respect to the potential impact of the unprecedented 2020 Coronavirus pandemic. Due to the uncertainty around the operational environment of all charities and businesses at this time there is an inherent uncertainty in respect of going concern. The following disclosures have been added to the financial statements of the charity:

- Additional narrative within the report of the trustees detailing the anticipated specific impact on the charity.
- Additional information included in the accounting policy for critical accounting estimates and areas of judgement.
- A paragraph titled "emphasis of matter – effects of Coronavirus" within the auditor's report.

5. Adjustments made during the audit

We enclose a list of the adjustments made to the figures presented to us for audit which we wish to bring to your attention within Appendix A. We note that the several fully depreciated items written off as disposals as part of the audit journals for the year ended 31 December 2018 have yet to be removed from Sage. Whilst we appreciate that the net effect of posting these adjustments is £nil, we nevertheless **recommend** that this is carried out in order to bring the fixed asset cost and accumulated depreciation in line with the accounts.

6. Unadjusted misstatements

Other than trivial misstatements, we found one unadjusted misstatement during the audit, which relates to an increase in the VAT debtor that appears on the balance sheet. Details of this item have been included in Appendix A.

7. Accounting policies, accounting estimates and disclosures

Other than the disclosures relating to the CoViD-19 pandemic, the accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charity. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charity.

We have no specific observations to make in this regard.

8. Letter of representation

We enclose the final draft letter of representation which we will request the trustees to approve and sign at the same time as the financial statements.

9. Prior year's post audit-report

We are pleased to report that the matters raised in our report last year have been satisfactorily dealt with aside from:

- Credit balances on the sales ledger; and
- Gift aid reconciliations.

Whilst we appreciate that steps have been taken to implement the recommendations (particularly with regard to the identification the provenance of the credit balances, despite some customers proving unresponsive to enquiries), we **recommend** that the charity continues to work to resolve these issues. These matters have been raised again in Appendix B.

10. Significant deficiencies in the accounting and internal control systems

Our work during the audit included an examination of some of the charity's transactions, procedures and controls with a view to expressing an opinion on the financial statements for the year ended 31 December 2019.

We found no significant deficiencies in the accounting and internal control systems during our audit.

11. Other deficiencies in the accounting system and financial reporting function

Our observations and recommendations as a result of our audit work are given in Appendix B. Each comment has been given a priority rating ranging from A to C. 'A' indicates that, in our opinion, immediate action is required; conversely 'C' indicates that the matter, although important, does not warrant urgent attention.

The detailed observations and recommendations included in the Appendix relate to:

- Gift aid reconciliations;
- The recurring stock provision; and
- Credit balances on the sales ledger.

These matters have been discussed with Angelina Dias and Pierpaolo Finaldi.

12. Professional ethics

In accordance with our profession's ethical guidance and further to our letter to you dated 14 February 2020 confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

13. Current developments

We have attached a summary of recent and ongoing developments in the charity and not for profit sector as Appendix C to this report. This includes a link to a summary of the latest advice and guidance for charities and businesses regarding the current Coronavirus situation on the Buzzacott website.

14. Updates, insights and seminars

As part of our commitment to the charity sector, during the year the Charity Team issues occasional Updates and Insights on matters of relevance to the sector and also holds a number of seminars free of charge throughout the year. We would be delighted to welcome representatives of your charity to our seminars or to add trustees and management to our email distribution lists if this would be welcome.

Conclusion

This letter is for your private use only. It has been prepared on the understanding that it will not be disclosed to any third party, or quoted or referred to, without our prior written consent and we can therefore assume no responsibility to any other party.

If you require any further information or assistance, we shall be very pleased to help you.

We would be pleased to receive your comments and reaction to this letter.

Yours faithfully

A handwritten signature in black ink, reading "Biggacott NP", is positioned above a single horizontal line that serves as a signature line.

The Incorporated Catholic Truth Society
Post Audit Report
Year Ended 31 December 2019

Adjusted misstatements:

Description	Statement of Financial Activities		Balance sheet	
	Debit £	Credit £	Debit £	Credit £
1 Dr Stock Provision Cr Cost of Sales (publishing) <i>Being a reduction in the Stock Provision based on management's workings.</i>		25,858	25,858	
2 Dr Interest cost Dr Actuarial loss Cr Staff Costs Cr Pension Liability <i>Being the movements in the defined benefit pension scheme liability during the year.</i>	7,000 244,000	237,000		14,000
3 Dr Accumulated depreciation – shop equipment Cr Fixed asset costs – shop equipment <i>Being the disposal of fully depreciated bookshop fixed assets, following the closure of the shop.</i>			6,156	6,156

The above adjustments had the effect of increasing the charity's net movement in funds by £11,858.

Unadjusted Misstatements:

Description	Statement of Financial Activities		Balance sheet	
	Debit £	Credit £	Debit £	Credit £
1 Dr VAT debtor Cr Irrecoverable VAT expense <i>Being the correction of the year end VAT debtor.</i>		3,664	3,664	

Had the above adjustment been made, the effect on the charity's net movement in funds would have been an increase of £3,664.

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*Observations which also arose during our work on the accounts for the year ended 31 December 2018 are denoted with an asterisk.

Observation	Rating	Implication	Recommendation
<p>Gift aid reconciliations *</p> <p>Gift aid claim schedules are not clearly reconciled on a line by line basis to individual donations, meaning that there is no clear link between any subsequent receipts from HMRC.</p>	A	Without line-by-line workings for all of its gift aid claims the charity may under or over claim income to which it is entitled. This may result in issues with HMRC should the charity's records be inspected.	We recommend that gift aid claims are prepared on a line by line basis and that clear workings are retained showing which donations relate to specific gift aid claims.
<p>Recurring stock provision</p> <p>We note that the charity has continued to post a monthly provision of £1,000 against stock during 2019, despite completing a line-by-line stock provision calculation as at 31 December 2018.</p>	C	There is a risk that stock will be understated if a general provision accrues continually against stock in addition to the specific line-by-line provision already posted. An inaccurate or overly general provision could also result in the management accounts being harder to interpret, making management decisions more difficult.	We recommend that the charity ceases the practice of posting a general £1,000 provision against stock each month and instead considers provisions against slow-moving stock on a line-by-line basis only.

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Observation	Rating	Implication	Recommendation
Credit balances on the sales ledger * We note that there has been a considerable improvement with regards to clearing credit balances on the debtors ledger. However, there remain a small number of credit balances within the sales ledger.	C	There is a risk that these liabilities will go unsettled if they are not understood and dealt with in a timely fashion.	We recommend that the charity continues to review and resolve the credit balances on the sales ledger. Explanations for all credit balances should be obtained and any overpayments should be refunded.

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Current developments

Coronavirus

Updates relating to the ongoing Coronavirus pandemic can be found on our website at:

<https://www.buzzacott.co.uk/news/responding-to-the-impact-of-covid-19>.

Trustees' Annual Report and Accounts

Charities SORP second edition

A new Charities SORP was published in October 2019 incorporating the update bulletins that had previously been issued separately in February 2016 and in October 2018. The full second edition of the SORP can be found at: <http://charitiessorp.org/media/647945/charities-sorp-frs102-2019a.pdf>

Annual report and impact reporting

Charity Finance have recently unveiled a best practice template on how best to compile an annual report which focuses on the impact a charity has on its beneficiaries. The template is split into four key sections:

1. Purpose and impact: An explanation of why the charity is relevant in 2020 is more important than the history of the charity with emphasis on how the charity gathers evidence of outcomes.
2. Values and ways of working: A description of how the charity operates and reaches the targeted beneficiaries, including a policy on remuneration and how it engages with various stakeholders.
3. Operating model and risks: Information on the processes in place and how the charity uses volunteers, works with partners and raises funds.
4. Governance and decision-making: this section should take into account how trustees provide oversight over the charity's day-to-day operations.

An example of the template is available at: <https://www.civilsociety.co.uk/uploads/assets/8533e1e4-3a68-494b-a99d1e80a4cfbd10/Illustration-report-by-Kate-Sayer.pdf>

Policy and Governance

Charity Commission review

The Charity Commission has undertaken a thematic review of complaints they have received about charities between April and June 2019. During this time, the regulator received 600 reports about charities which fell below the threshold of direct regulatory action as the charity had taken appropriate action already or because they were not serious enough to warrant action. However, an in-depth analysis of 200 of these complaints was carried out and four key themes were identified:

1. Personal connection: People making complaints are usually people who are known to the charity (e.g. a supporter, volunteer, trustee or beneficiary);
2. Accountability: Ensuring stakeholder involvement in decisions a charity makes is important as well as making sure a charity's annual accounts tell a complete and accurate story of the year;
3. Public trust: Transparent decision making and the management of any conflicts of interest is vital and trustees must always act in their charity's best interests; and
4. Tone at the top: How policies and procedures are implemented and monitored are as important as the policy itself and how a charity responds to unexpected situations will ultimately result in how successful a charity is.

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The Charity Commission concludes that charities should lead the way in taking public expectations seriously which gives the sector a better chance of flourishing through the retention of the personal, emotive investments people make in them.

Impact of Brexit on audit and accounting

Following the UK's exit from the EU on 31 January 2020, under the terms of the Withdrawal Agreement, the UK entered a "transition period" which is due to end on 31 December 2020. During the transition period there is no change to the UK's audit, accounting and corporate reporting framework.

Charity Governance Code consultation

A consultation on refreshing the Charity Governance Code was launched in November 2019 coming to an end on 28 February 2020. Whilst no radical refresh is expected, the focus is to seek ways on how to improve awareness and take-up of the Code as it is currently estimated that under 50% of charities are using the Code's recommendations in their annual reports. Full details of the consultation and response mechanisms can be found at: <https://www.charitygovernancecode.org/en/about-the-code-1/improving-the-code>

Digital resources for charities

In July 2019, the charity Media Trust launched a range of charity specific digital webinars aimed to help charities develop their digital marketing strategy. The series of webinars cover the basics of digital marketing strategy, core content and tactics and information on the channels used through digital marketing. The resources can be accessed via the Media Trust Resource hub at: <https://mediatrust.org/communications-support/resource-hub/>

Code of Fundraising Practice

The Fundraising Regulator published the final version of the Code of Fundraising Practice in June 2019 which sets the standards for fundraising by charities and third-party fundraisers in the UK. The fundamental principles of fundraising have not changed; however the Code has been simplified both in terms of language and ease of navigation with the previous iteration of 20 sections, three rule books and legal appendices being consolidated into one Code:

- Introduction
- Part 1: Standards which apply to all fundraising
- Part 2: Standards which apply to working with others
- Part 3: Standards which apply to specific fundraising method
- Glossary

The full Code can be found at: <https://www.fundraisingregulator.org.uk/code>

Telephone Fundraising

The Institute of Fundraising has published a best practice guide about how best to use telephones to develop relationships with supporters. The free guide "A Good Call: Using the Telephone For Successful Fundraising" gives advice on how the telephone can be used in a range of ways to have conversations with supporters giving tips on timing, the topics of conversation and how to build rapport with the potential donor. Its overarching aim is to give organisations the confidence to make the most of the telephone as a way of connecting with supporters. The guide can be read in full at:

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<https://www.institute-of-fundraising.org.uk/library/a-good-call-using-the-telephone-for-successful-fundraising/>

Whistleblowing

The Charity Commission has created a dedicated advice line for charity whistleblowers to help people report any concerns to the regulator. The phone line is operated by the charity Protect who have a team of specialists for when charity workers or volunteers have serious concerns about their charity. This team can be reached at 08000 557214 and each case will be handled by a specific individual who will be on hand with any follow-up discussions as necessary. The Charity Commission has also confirmed that whistleblowing disclosures have more than doubled since 2017; the regulator received 185 disclosures in the year ended 31 March 2019 compared to 101 in the previous year and only 88 in the year ended 31 March 2017 with the most reported issues being safeguarding, governance and fraud/money laundering.

NCVO Code of Ethics

In light of recent sector-wider concerns on safeguarding, the National Council for Voluntary Associations (NCVO) has developed a Code of Ethics for charities to review their own internal policies and practices. Endorsement of the 'Charity Ethical Principles' is voluntary but covers four key areas: putting beneficiaries first, integrity, being open and the right to be safe. The Principles can be read in full at <https://www.ncvo.org.uk/policy-and-research/ethics/code-of-ethics>

Fraud and cybercrime

The Government has published a comprehensive guide on how charities can protect themselves against fraud and cybercrime. The guide covers all aspects of fraud and cybercrime with useful links to relevant organisations that combat fraud in charities.

The guidance determines eight overarching principles for tackling fraud:

1. Fraud will always happen, even at charities;
2. Threats are constantly changing so it is important for charities to be able to adapt defences quickly;
3. Prevention mechanisms are better than cure;
4. Fraudsters exploit the trust and goodwill of a charity;
5. It is good to discover fraud as this is the first step in fighting fraud;
6. Report all fraud on a timely basis to Action Fraud, the relevant regulator or police;
7. Responses to fraud should be proportionate to the charity's size, activities and fraud risks;
8. Everybody involved in the charity should help fight fraud, especially trustees.

The fraud section of the guidance covers a broad range of issues, including how fraud should be reported if a charity is a victim of fraud, how a charity should protect itself from fraud and example policies on anti-fraud, whistleblowing and investigations.

As an ever evolving threat to all organisations, the guidance on cybercrime covers an array of topics. Of particular significance, the National Cyber Security Centre (NCSC) has produced an electronic learning training package covering top tips for staff that covers four key areas: defence against phishing, passwords, device security and incident reporting. The NCSC has also designed a toolkit specifically for boards to encourage wider discussions throughout the charity which contains information on how to plan a response to a cyber-incident. In the event of a cybercrime attack, Action

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Fraud, the national policing lead for fraud, has launched a 24/7 live cyber-attack helpline which is connected with the National Fraud Intelligence Bureau (NFIB).

The detailed guidance can be found at: <https://www.gov.uk/guidance/protect-your-charity-from-fraud>

Compliance

Charity structures

The Government has published revised guidance on how an unincorporated organisation or trust converts its legal structure to a charitable company or charitable incorporated organisation (CIO).

There are number of reasons why an unincorporated charity may want to incorporate:

1. To protect trustees from increased financial risk faced by the charity;
2. In order to register land or property in the name of the charity, and not in a trustees name;
3. For the charity to deliver services under contract e.g. through a local authority; or
4. To hold employment contracts with the charity (instead of the trustees)

The usual process to incorporate an unincorporated charity would be to register a new company at Companies House and then register the new company as a charity at the Charity Commission. The original governing document must allow assets and liabilities to be transferred to the new entity and the purposes of both entities need to be sufficiently similar in order for the incorporation process to be successful. Charity Commission approval may be needed in order to transfer assets, especially if the trustees of the old and new organisation are the same, as there may be a conflict of interest.

An unincorporated charity can also be converted to a CIO – there are two types of model constitutions which a charity can adopt:

1. Association model: if the original charity has a constitution as the governing document and there is wider membership which votes on important decisions (e.g. electing trustees)
2. Foundation model: if the original charity is governed by a trustee deed, is run solely by trustees and does not have voting membership

Once the constitution has been completed and agreed by the trustees, the new CIO will need to be registered with the Charity Commission. The subsequent process of transferring assets and liabilities to the new entity will then be the same as in the incorporation example above.

This process will be complicated if the original charity has assets that are permanently endowed (i.e. money or property that was originally intended to be held by a charity forever as set out in the charity's governing document) and in this situation a legal document (known as a vesting declaration) will need to be signed by the Trustees before any transfer is made.

A charitable company can also be converted into a CIO using a very simple application process which involves the Charity Commission liaising with Companies House to ensure the necessary records are updated. This should not typically need bank accounts to be changed or the charity name and number to be amended.

Further guidance on all of the above conversions can be found at:

<https://www.gov.uk/guidance/change-your-charity-structure#convert-an-unincorporated-charity-to-a-cio>

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Legacy notification system

On 31 January 2019, Susan Acland-Hood, the chief executive of HM Courts and Tribunals Service (HMCTS), stated in an open letter to charities that the Government will overhaul the system through which charities can subscribe to receive notification that they have been left money to them in a will.

In the letter, she stated that although the existing arrangement with private firm Smee & Ford had been set up in good faith, it has been found to be inconsistent with HMCTS' legal duties. Smee & Ford will continue to provide legacy notifications to charities until at least June 2020 whilst longer term arrangements are put in place. In this period, HMCTS will work with them to reduce any disruption.

It is planned that any replacement service will be designed with the help of charities, and representatives of the Association of the Chief Executives of Voluntary Organisations (ACEVO), the National Council for Voluntary Organisations (NCVO), the Institute of Fundraising and the Institute of Legacy Management have been invited to join a working group, bringing together the views of the sector.

Auto-enrolment

With effect from 6 April 2019, the minimum level of contribution rates into a workplace pension scheme rose to 8% (being at least 3% from the employer, with the employee contributing 5%).

If the employer elects to contribute at a higher rate than these minimum amounts, the rate of contributions required from employees will reduce accordingly.

Employment Case Law

Some important employment law principles continue to go through the courts, in particular decisions concerning employment status and the rights of workers, and the definition of holiday pay to include regular overtime.

There has been much publicity in recent months about harassment in the work-place and how it has often been ignored in the past, or accepted as part of the business culture. Figures show that the number of complaints about harassment has increased in recent months, leading to changes in policies on harassment. There will continue to be consultations on harassment policies, linked to work on changing the culture within a business. It is important to review your policies on harassment as well as the training of managers on how to manage harassment issues at work.

Itemised pay statements

Changes to the Employment Rights Act 1996 from April 2019 provided all workers (not just employees) with the right to receive an itemised pay statements. Failure to provide itemised pay statements to the correct people could lead to an employment tribunal claim, so it is important to assess an individual's working status correctly. Charities need to be clear on the employment status of those working in the charity. There are three categories of employment status.

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- Employee – is subject to an employment contract, is required to work a minimum number of hours, cannot send someone else to do their work, is subject to the business' disciplinary and grievance procedures, and is entitled to paid holiday and statutory payments, or
- Worker – has a contract to do work or services but has a limited right to send someone else to do the work, has basic employment rights such as being entitled to the National Minimum Wage, statutory minimum level of holiday pay, but is not able to claim unfair dismissal, request flexible working, or be paid statutory redundancy pay, or
- Self-employed – run their own business, can choose how and when they work, are able to send someone else to do the work, provide their own tools and equipment, can agree a price for the work, and can work for more than one client.

It is important you review the working relationship and contractual arrangements with any self-employed contractors to ensure they are given the correct employment status. As organisations have found over the last 12 months, there have been a number of high profile cases where individuals, considered as self-employed, have now been designated as workers by the Courts and therefore entitled to greater rights under employment legislation.

Tax

Gift Aid

HM Revenue and Customs (HMRC) has published a free online guide for charities who need assistance in completing their Gift Aid donations schedule covering topics such as how to claim tax back on eligible donations, using the right software and what information is required. The step-by-step guide can be found at http://www.hmrc.gov.uk/courses/syob4/giftaidsch_guide/

The Government has also published legislation to simplify the rules relating to the benefits a donor is allowed when a charity claims gift-aid. The rules came into effect for donations made on or after 6 April 2019. There are now only two tiers of donations and associated benefits:

1. Donations of up to £100 are subject to a maximum benefit of 25% (unchanged); and
2. Donations of over £100 will be subject to a £25 benefit plus an additional 5% on the amount over £100 (up to a maximum of £2,500).

Previously, the second tier was split between donations between £100 and £1,000 being eligible to a benefit of £25 and donations over £1,000 being eligible to a benefit of 5% (up to a maximum of £2,500).