

Simple is Beautiful:

Small Charity Accounts as if Trustees Mattered

Small
Charity
Support
Supporting Small Charities & Voluntary Organisations

Small Charity Support is a registered CIO 1161963

www.smallcharitysupport.uk

Recording & Managing Your Charity's Funds

One of a Series of Guidance Leaflets for Small Charities

The Scope of These Guidance Leaflets

The title of this series of leaflets has been inspired by the 1960s (but even more relevant today) iconic book, [*Small is Beautiful: Economics as if People Mattered*](#), by E.F.Schumacher, and by the more recent (2017) [*Doughnut Economics: Seven Ways to Think Like a 21st Century Economist*](#), by Kate Raworth..

This leaflet is one of a series which give a quick overview of the various things that you will need to take into account in managing the money of a small charity.

They are NOT a full and comprehensive guide to Charity Law and all the associated regulations. They are just an overview, in simple everyday language (rather than legalistic/accountancy jargon) of the main points for those who want to run their small charity efficiently and effectively for the benefit of their local community, or to help trustees who have encountered a common difficulty.



Please read the Disclaimer on the last page of this leaflet.



So if you are expecting your charity's annual income to be more than £150,000/yr, or to own property, or to employ more than the equivalent of 3 full-time staff then you will probably need to seek professional guidance elsewhere.

The topics covered in this series are:

What Accounts ALL Small Charities MUST Keep

The Role of the Treasurer (and assistants)

Recording & Managing Your Charity's Funds *{This Leaflet}*

Budgets & Cash Flows

Financial Controls CheckList

Preparing the Annual Report & Accounts – Unincorp.Associations

Preparing the Annual Report & Accounts – CIOs

Receipts & Payments vs Accruals Accounting *{Not yet available}*

A Bank Account



Recording & Managing Funds

1. Scope of This Leaflet

It's always important to remember that, unlike commercial organisations where its assets belong to the shareholders or proprietors, your charity's funds do not "belong" to the charity for its Trustees to do what they wish with them. Your funds belong to your donors on whose behalf you are managing them for the ultimate benefit of your charity's beneficiaries in accordance with your charitable purposes.

So Charity Commission guidance is quite clear: ALL charities, regardless of their governance structure and annual turnover, have to maintain properly organised and managed financial records to be able to demonstrate to anyone who reasonably enquires that they are managing their charity's funds efficiently and effectively. **And this is the case even if your charity is below the £25,000 threshold above which charities are legally required to have their accounts independently examined and submitted to the Charity Commission to be put into the public domain.**

1.1. Guidance for Small Charities

There is very little guidance available anywhere for small charities – particularly those just starting up – on how to go about setting up and running a system for recording and managing their finances.

Charity Commission guidance on how charities should produce their statutory annual report and accounts is contained in its publication CC15b: "*Charity Reporting & Accounting: The Essentials*".

<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-cc15b>

Unfortunately that publication includes guidance for charities of "all shapes & sizes", from small exclusively volunteer-run CIOs with an annual turnover of less than £600 to large quasi-commercial charities with an annual turnover in excess of £600,000,000. Inevitably, the guidelines for larger charities are more extensive and complex than those needed by the vast majority (ca85%) of smaller charities with an annual income of less than £250,000.

So much of the guidance is irrelevant to small charities.

Also, the guidance is addressed ONLY to the layout of the final annual accounts and therefore provides no information on how best to collect & record the information needed to report the financial state of a charity to its Trustees throughout the year. Consequently they also provide little information about (and solutions for) the sorts of issues that a small charity – and particularly a new small charity – needs to consider when deciding on the best way to record and manage its day-to-day financial transactions.

This leaflet is based on the Charity Commission guidelines, but focuses just on the needs of small charities. So it leaves out the guidance on Accruals accounting methodology and statutory audit – *ie*: applies ONLY to charities which have adopted Receipts & Payments (R&P) accounting methodology and Independent Examination of its accounts. For additional notes on the *pros & cons* of Receipts & Payments accounting methodology vs Accruals methodology, see Annex 0.

The following notes are based on the assumption that the charity has one of the standard governing documents which only require the charity to comply with the default legislation for maintaining its accounts and having them independently examined (if required at all). If a charity has a modified governing document which stipulates other requirements for the maintenance and independent examination/audit of its financial records then those other requirements take precedence and the following notes do not apply.

2. Charity Commission Requirements for R&P Accounts

2.1. Unincorporated Associations, Less than £25,000/year

Unincorporated Associations with an annual turnover of less than £25,000 are required to keep proper financial records, but are not required to have their accounts independently examined or to submit them to the Charity Commission.

However, it is strongly recommended that they nevertheless do create a proper Trustees Annual Report with Accounts and have it independently examined¹. This is not only good practice. It is useful to have proper reports & accounts to show to potential donors/funders to demonstrate that the charity is well-managed so that their donations will be safe in its hands. And it also means that the charity will already have a good accounting system in place for when its turnover exceeds £25,000 and is then legally required to submit its annual report & accounts to the Charity Commission.

2.2. Unincorporated Associations, More than £25,000/year

Unincorporated Associations with an annual turnover of more than £25,000 are required to keep proper financial records, to have their accounts independently examined¹ and to submit them to the Charity Commission.

2.3. Charitable Incorporated Organisation (CIO), regardless of Annual Turnover

Charitable Incorporated Organisations (CIOs) are required to submit Independently Examined¹ annual accounts to the Charity Commission regardless of their level of income (*ie*: even if zero).

This is because, as a legally incorporated organisation, a CIO provides its Trustees with protection from personal liability in the event that it encounters “financial difficulties” (provided, of course, that the Trustees have acted reasonably and responsibly)².

2.4. What Does a Charity’s Annual Report & Financial Statement Have to Contain?

For further information on what a new charity will have to do at the end of the year to produce its first Trustees Annual Report & Financial Statements please see Section 5.3 and the companion leaflet:

“Notes on Preparing the Trustees Annual Report & Financial Statements

3. Choosing a Method to Record Financial Transactions

3.1. It’s just plain common sense really.

Everyone recognises that “putting all your bills and invoices into a biscuit tin just in case they might be useful sometime” is completely inadequate as a financial record-keeping system. And in this digital age, where a growing proportion of your financial documents are in “paperless”/electronic form, they, too, need to be filed in an organised manner which is coordinated with any paper records so that they can work together in a consistent manner.

This is not only so that you can quickly and easily locate any particular documents to refer to them later (*eg*: in the event of any dispute). If your charity’s accounts are to be independently examined, the Examiner is also going to want to verify that you have a properly organised file of documents and that your records tally properly with the paper documents.

Whether they are lines on sheets of paper or rows in a computer spreadsheet, financial records which are nothing more than plain lists of all your charity’s financial transaction are pretty useless for keeping the

¹ An independent examiner is ‘an independent person who is reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts’
So, provided that they are able to follow the Charity Commission guidelines for an independent examination: <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>
they do NOT have to be a professional accountant or qualified independent examiner (*eg*: a member of the Association of Charity Independent Examiners – www.acie.org.uk).

² We need to be a bit bluntly pragmatic here: If a CIO gets into financial difficulties and can’t pay its bills, the Trustees are protected from personal liability (provided that they have acted legally, reasonably and responsibly, of course!). Instead, the people who end up having to bear the CIO’s losses are either its insurers or the people who don’t get paid the money that the CIO owes to them. So it is reasonable for the Charity Commission (which, by incorporating the CIO, provides the Trustees with their protection from personal liability) should also provide those who donate to, or trade with CIOs with similar protection from the CIO getting into “financial difficulties”.
It does this by making sure that the CIO is being properly and responsibly financially managed by requiring it to submit an Independently Examined Trustees’ Annual Report and Financial Statement.

Trustees informed on the financial status of your charity because it is difficult, if not impossible, to do any kind of aggregation or analysis of such information.

Like all good information systems, good financial management is **NOT** about **COLLECTING** financial data. It is about **USING** financial data – the ability to retrieve, analyse and then use the data which have been collected to enable the Trustees to make sensible decisions about the best way to raise and spend their charity's funds³.

Collecting data which never get used is a waste of time and resources!

So, when deciding what kind of financial management system you need to set up, the focus should NOT be primarily on what information you CAN collect, but on what information the Trustees will want to see analysed and presented in order to run the charity effectively.

For example: A charity which gets the bulk of its income from specific project funding, particularly if it has several different project funds restricted to specific purposes, will need a system which allows the income and expenditure associated with each project fund to be identified, monitored and reported individually. But a charity which gets the bulk of its income from unrestricted general donations will not have that requirement.

3.2. What your financial management system **MUST** be able to do.

Regardless of whether your system for recording and managing your charity's financial transactions is manual (*ie*: simple pen & paper) or computerised, for the efficient and effective day-to-day management of you charity it will need to be able to:

- maintain an up-to-date record all its day-to-day financial transaction – both receipts & payments;
- quickly find any particular transaction, or group of transactions (and, if necessary, link it/them to any relevant paper documents or electronic files), to check & verify them and to assess them in the context of other related transactions;
- aggregate (*ie*: add together) related transactions for analysis purposes.
In some cases it may be required to aggregate specific transactions in different ways for different purposes – eg: all telephone charges may need to be aggregated, together regardless of which project they relate to, for the purpose of monitoring the bills from the telephone service provider, and at other times the telephone charges associated with individual projects may need to be aggregated with the non-telephone costs for the corresponding project for the purposes of monitoring the status of the funding for each individual project;
- produce interim financial reports of income & expenditure throughout the year for presentation to the Trustees;
- compare actual income & expenditure at any point in the year⁴ with the expected (*ie*: budgeted) income & expenditure at that point in the year;
- produce the annual financial statements for reporting to the Charity Commission as required.

3.3. An effective financial record-keeping system therefore actually consists of two parts:

- a: A means for keeping up-to-date, detailed and searchable/retrievable (*ie*: systematically organised) records of all its individual financial transactions – the monies that it receives and the payments that it makes. Plus any other relevant transaction, *eg*: if it has an interest-bearing deposit account as well as a current account, all the transfers it makes between those two accounts.
- b: A means of aggregating related transaction (*eg*: donations received, or the monthly telephone bills) into regular financial summaries/reports so that those administering the charity's finance can easily see how the charity is getting on financially. This should include BOTH:

³ **Note:** it is fundamental to charity law that it is the charity's Trustees who have the ultimate responsibility for the proper use of their charity's funds. It is common, and entirely proper, for the Trustees to delegate some or most of their responsibility for the day-to-day management of the charity's finances to other paid staff or volunteers. But in that case it is only a delegated responsibility – *ie*: those persons can **ONLY** act within the guidelines set by the Trustees and **MUST** go back and consult with the Trustees if anything comes up which is not covered by the Trustees' guidelines. So, whilst those with delegated authority

⁴ This is usually at the end of each month or quarter.

- i. the cash-flows – monies received and paid out – and, consequently, how the charity’s reserves are going up/down to ensure that the charity is remaining financially viable and solvent.
- ii. budget reports – *ie*: comparisons of what monies have actually been received and paid out against what was expected to have been received and paid out at any given point in the year. That, of course, requires the Trustees to have created a budget for the year as part of its Business Planning process (see companion leaflet 8: A Business Plan).

3.4. Records of financial transactions

Pretty much regardless of what kind of bookkeeping system your charity uses it will almost certainly want to be able to record and analyse at least the following basic information on all of its transaction:

Transaction Date: The date on which the transaction was committed: *ie*: the date that the charity agreed to purchase some goods or services from a supplier, or the date that the charity agreed to provide some goods or services to a purchaser or beneficiary in return for a payment;

Payer/Payee: From whom the goods or services were (or are to be) purchased or to whom the goods or services were (or are to be) provided;

Amount: The amount of the transaction;

Description: A note of what the money was for;

Reference: Some method of linking the transaction to other relevant records where appropriate, *eg*: the cheque number or expenses claim reference for outgoing payments; the invoice number if receiving money for goods/services provided by the charity;

Category: The category under which transactions for similar purposes can be aggregated for analysis purposes, *eg*: Subscriptions; Ticket Sales; Postage; Photocopying; Travel.

Cash Date: The date on which the payment for transaction was made, *ie*: the date that money actually paid to the supplier or received from the purchaser;

And you may also want to keep additional transaction information (*eg*: to which project fund the transaction relates when your charity has multiple project funds).

3.5. Creating categories⁵ to allow related transactions to be grouped/analysed together

Without a shadow of doubt, deciding on what Categories a charity wishes to use to allow transactions for similar purposes to be grouped together and organised for analysis purpose is by far the hardest and most time-consuming part of setting up and running a charity’s bookkeeping system.

The “good news” is that it tends to be an “initial one-off” operation – *ie*: once it has been done it doesn’t have to be re-done on a regular basis – though you will, of course, need to make “minor tweaks” from time to time (*eg*: to add new Categories or to delete redundant ones).

And this is the case whether commercial or “home-grown” software is used. Indeed, setting up categories in commercial software can sometimes be even more difficult if that software has constraints on how different categories can, or cannot, be set up. This can be particularly so for accounts software which is designed for small businesses and is therefore focused on the accounting requirements of trading, corporation tax and VAT.

There are always some initial problems:

- is it better (*ie*: more understandable) to call a category this or that?;
- do we want to organise these Categories together or those?.

Whilst there are some useful examples that can be followed, every charity has its unique characteristics and so the organisation of each charity’s Categories will differ – sometimes only slightly, other times substantially – from those of other charities (even where charities work in similar areas).

⁵ “Categories” is just an “every-day” word for what are called “Nominal Accounts” in accountancy jargon. There is no practical difference between “Categories” and “Nominal Accounts”, it’s just that “categories” is a bit easier for non-accountants to understand. Charity Commission guidelines on charity accounts also frequently use the word “Categories” in the same way, and presumably for the same reason.

In addition to the main Categories it is quite likely that a charity will want to include some sub-Categories to enable a bit more “fine detail” to be analysed and reported for internal monitoring, even if it is not intended to include such detail in the final annual accounts.

For example: if a charity, amongst other activities, puts on events for its beneficiaries it might only want to report the overall cost of such events in its annual accounts but create separate categories to record the costs of, say, venue/publicity/catering for each event to keep a closer watch on those costs at the operational level. It would therefore create three Events sub-categories:

Events-Venue; Events-Publicity; Events-Catering

to enable it to collect transactions under each sub-category for detailed administrative analysis and reporting to the Trustees. For all other reports the costs under the three sub-categories would simply be aggregated (added together) and reported as just “Costs of Events”.

A big temptation, particularly when setting up computerised bookkeeping systems, is to over-categorise, *ie*: create many categories to deal with trivially small distinctions between different types of income or expenditure. But rather than enhancing the reporting capabilities of the bookkeeping system, over-categorisation can undermine the value of reports by making them excessively detailed and complicated so that Trustees “can’t see the wood for the trees”!

The key question here is “How often will it be IMPORTANT for the Trustees to be aware of the financial differences between minor variations in categories?” .

If the answer is “Rarely, if ever”, then don’t create those separate categories.

Another question is “*How many times will we be recording transaction in each category?*”.

If the answer is that some sub-categories will only ever contain one or two individual transactions then those sub-categories are probably superfluous and there are more effective ways of analysing at that level of detail.

On those occasions when the Trustees need to consider such detail it is usually quicker, easier and more reliable to do the analysis by hand. Excessive detail in the core financial system requires more sophisticated analyses which can (and often does) increase the likelihood of unnoticed minor errors creating inaccurate/invalid results.

The “good news” is that once the Categories have been set up, and all the “wrinkles ironed out” thereafter they generally only need to be changed occasionally as the charity takes on major new areas of activity (or discontinues existing ones).

There are no statutory specifications of how a charity’s categories are to be named and organised.

The Charity Commission guidance note suggests two ways in which Categories can be organised, which it calls: (a) Natural Categories; or (b) Activity Categories.

Natural Categories are organised according to the nature of the transactions – *eg*: all the categories related to the use of premises; all the categories related to printing & publicity; all the categories related to staff costs.

Activity Categories are organised according to the activities being undertaken by the organisation – *eg*: activities for young people; activities for older people; activities for the disabled.

In practice it is possible to categorise and sub-categorise by both type and activity *eg*:

By Type:

Use of Premises – Young People

Use of Premises – Older People

Use of Premises – Disabled People

Staff Costs – Young People

Staff Costs – Older People

Staff Costs – Disabled People

Or by Activity:

Young People – Use of Premises

Young People – Staff Costs

Older People – Use of Premises

Older People – Staff Costs

Disabled People – Use of Premises

Disabled People – Staff Costs

Which form you choose will simply be the reporting structure which is most useful for your particular situation.

An illustration of a structure for categories based on the charity's activities as determining the main categories (*ie*: with the secondary structure being the nature of sub-category types) is shown in Annex **Error! Reference source not found.**

3.6. Receipts & Payments – Net & Gross

Net receipts: is where any income is recorded after deducting any cost associated with it.

eg: if your charity bulk-purchases special informational literature to sell to its beneficiaries at less than high-street prices, "Net" is the income you get from selling the literature less what you had to pay for it – *ie*: the surplus (as "not-for-profit" organisations, charities don't make "profits").

Net payments: is where any expenditure is recorded after deducting any receipts associated with it.

eg: if you charity organises an event for its beneficiaries for which it makes a small charge, but insufficient to cover the whole cost of the activity, "Net" is the cost of the event less the contributions made by participants – *ie*: the loss on the event.

Gross receipts and gross payments: are, respectively, the total income received and total expenditure incurred by any of the charity's activities WITHOUT taking into account any associated payments or receipts.

An important feature of charity financial recording and management is that charities are required to record all their receipts and payments as GROSS (*ie*: unlike most commercial organisations which record their trading income as NET profit/loss).

This is particularly true of charity activities which are specifically for raising funds.

For example, if your charity organised a local fundraising fete your accounts MUST show all the costs (venue hire, refreshments, entertainment, *etc*) separately from all the income (admission tickets, donations, sales of goods) and NOT just the net amount (surplus/"profit") from the event.

So, regardless of whether your activities are intended to run at a net surplus (*ie*: to generate income to support other activities) or at a net loss (*ie*: are subsidised by the charity for the benefit of its beneficiaries) you must set up your financial recording and management systems to be able both to record the gross receipts and gross payments and analyse the resultant net surplus or deficit.

HOWEVER, this does NOT apply to activities which are organised entirely independently by supporters to raise money for your charity.

For example: if a supporter privately and independently of the charity were to organise a party or garage sale in their own home – and at their own risk – to raise money for the charity they would be able to make just a private donation of their net proceeds to the charity.

But if the charity itself had any involvement in the event – and particularly if it made any financial contribution to the costs of the event, or agreed to cover any losses that might be incurred (*eg*: if the event had to be cancelled due to bad weather) then the whole event would have to be treated as being run by the charity and all the receipts and payments recorded gross rather than net.

3.7. Setting & Monitoring a Budget

Every charity should set an annual budget, based on its annual business plan⁶, and then regularly (*ie*: at least at every Trustees' meeting, if not monthly) monitor its actual financial activities against its expected (*ie*: budgeted) financial activities.

Those regular interim finance/budget reports should then be carefully monitored by those with responsibility for the charity's finances (which includes ALL the Trustees) and explanations sought for any significant differences (variances) between the actual figures and the budgeted figures. And that review should always consider not just the unfavourable variances (*ie*: lower than expected receipts or greater than expected expenditure resulting in less money in the charity's reserves) but also any significant favourable variances (*ie*: more money received or actual costs being less than expected).

Whilst it is not a legal requirement, it makes good sense for the layout and content of the charity's regular interim finance/budget reports to Trustees (and administration volunteers/staff where appropriate) to

⁶ See companion leaflet in this series, 8: A Business Plan

follow the layout of the charity's formal annual accounts and financial statements. However, it is likely that the regular interim finance/budget reports will be more detailed (*ie*: contain more categories & sub-categories for income & expenditure) than the charity's final annual accounts. This is fine if the categories in the final annual accounts are simply high-level aggregates of those in the interim finance/budget reports.

Some Trustees might be tempted (and all-too-often are tempted) to argue that their charity's finances are too small and simple to require formal budgets and finance reports.

That is bad thinking.

If the charity's accounts are that simple then there is no excuse for not producing the equally simple budget and interim reports.

And if the argument is that the charity's finances are too complex to produce formal budgets and finance reports, how can the Trustees meet their legal obligation to ensure that their charity's funds are properly managed?

A particular problem for the Trustees of small charities, none of whom have professional accountancy or bookkeeping experience, is to think that the accounts of their charity have to be managed by a qualified bookkeeper or accountant. Whilst that may be true for larger charities which have many staff, individual projects, wide-ranging charitable activities, and wide-ranging sources of income it is by no means necessarily true for small charities.

Figures for the average UK annual income vary considerably depending on which source you look at. But what is indisputable is that something like HALF of all charities in the UK have an annual income which is LESS than a typical family income.

<https://www.gov.uk/government/publications/charity-register-statistics/recent-charity-register-statistics-charity-commission>

So the accounts of small charities will, generally, be no more complex than ordinary domestic accounts.

3.8. Buying commercial accounting software.

Many charities buy commercial software to record and manage their finances. This can be either:

- a: Software designed for small businesses, of which there are many, with well-known names like Sage, Quickbooks, Zero now in competition with a wide range of other less well-known names. Much of the software designed for small businesses also claims to be suitable for charities. The list is constantly changing, so "google" "Accounts software for small businesses" to get all the latest information and offers;
- b: Software specifically designed for charities. Names, like Paxton & Data Developments are not nearly so widely known, but have been around for a long time and offer tried & tested products. But, again, it is a dynamic and rapidly changing market-place, so "google" "Accounts software for small charities" for the latest information and offers.

Commercial accounts software used to be like most other software – you bought a CD/DVD, installed the software on your PC and that was it! – you could run it for as long as you like (*ie*: until your PC & operating system became obsolete). But, increasingly, accounts software is now sold on a "cloud" basis – there's no CD/DVD or anything to install on your PC. Effectively you buy a license which gives you a User-ID and password to use your web-browser to access the software via the internet. That's great for being able to access your accounts "on the move", or to allow more than one person to access it without having to "go into the office". But it does lock you into a recurring (usually monthly and not inexpensive for really small charities) license fee. And note that if you want several people to be able to access your accounts simultaneously you usually have to buy the appropriate number of licenses.

There are some "free" accounts packages – though be careful. Sometimes "free" just means either that it has very restricted functionality or, more usually, that there's a free "trial period" during which you can use a full version without payment, but once the trial period comes to an end you either have to pay the license fee or find your data locked.

3.9. Develop your own accounting software (eg: an MS-Excel® spreadsheet).

With most commercial accounts software costing between £200 & £500 quite a lot of small charities set up their own "home-grown" system for recording and managing their finances, particularly when they are first starting up and their finances are quite simple. Usually this will be done using commonly available

computer software, like MS-Excel® or OpenOffice-Calc®, or even “traditional” pen&paper using ledger-books purchased from a local stationery shop

However, be careful. Unless your accounts really are VERY small and VERY simple, OR you know somebody who is quite experienced at developing spreadsheets, you may only find that you create endless problems for yourself as “bugs and glitches” find their way into the software making the results inaccurate.

Also, people who create their own accounts spreadsheets typically replicate classical “pen & paper” – *ie*: “double entry” – bookkeeping methodology – with many ledgers (separate worksheets within a single spreadsheet file) with many columns. Whilst this has the advantage of appearing to be a very simple (not to say “traditional”) way to collect financial data, it can be extremely difficult to create the desired analysis and reporting structures (see the caution in section 3.1). It can also make it very difficult for an “outsider” to understand how the financial data are recorded and analysed. So that if the person who normally does the recording and analysis of the financial unexpectedly becomes “unavailable” (*eg*: is off sick, or on holiday, or has left in a “huff”), getting the work taken over by somebody else can be very difficult.

The Small Charity Support website has an example of a practical, and relatively simple, way of using the power of modern spreadsheets to create a low/zero cost spreadsheet to record and manage Receipts & Payments accounts for small charities. <https://www.smallcharitysupport.uk/index.php/simple-accounts>

4. Accountants & Bookkeepers

Daunted and bewildered by all the accountancy/bookkeeping jargon of double-entry, nominal accounts, control accounts, ledgers, trial balances, creditors, debtors, accruals, depreciation, *etc.*, *etc.*, etc. it is not surprising that many “ordinary” charity Trustees who do not have accountancy or financial management experience feel that they have no choice but to turn to professional accountants for help with managing their charity’s finances.

Unfortunately in all too many cases this exacerbates rather than solves the problem.

Professional accountancy/bookkeeping is focused on the more complex needs of commercial businesses – from local sole traders to big corporations – which have to comply with company accounting regulations and, particularly, the taxation requirements of HM Revenue & Customs. Consequently, many professional accountants/bookkeepers have a poor (sometimes to the point of non-existent) knowledge/understanding of the Receipts & Payments procedures for small charities.

So when Trustees feel they have no choice but to seek help from external professional accountants/bookkeepers, it is, sadly, not uncommon for them to end up having quite unnecessarily complex (*ie*: difficult for them to understand) accruals-like accounting systems foisted upon them – and may even have unnecessarily large professional fees foisted upon them for “the privilege”.

Small charities which seek the assistance of external professional accounts and/or bookkeepers should therefore carefully check to ensure that the individual/company they are planning to engage have the requisite knowledge and experience. This is the case even if the individual concerned will be taking on the role in an unpaid capacity (*ie*: as a “professional volunteer” or on a “pro bono” basis) and even more so if he/she will be charging a professional fee. Professional accountants should always provide you with a formal Letter of Engagement setting out what they will (and will not) be doing for you and their professional charges. You should make sure that their Letter of Engagement explicitly states something along the lines of:

- a: he/she is familiar with, and fully understands, the principles and practices of Receipts & Payments accounting for small charities, as set out in the Charity Commission guidance publications *CC16, Receipts And Payments Accounts Pack*, which can be found on-line at:
<https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16>;
- b: those principles and practices will be properly applied in the creation and ongoing management of the charity’s accounts, including the preparation of the Annual Financial Statements to accompany the Trustees’ Annual Report.

And if possible, also seek references from other charities which have engaged your candidate. If the person you are seeking to engage is unwilling, or even hesitant, to make such positive affirmations or to provide references you should seek an alternative. Whilst most accountants/bookkeepers will be honest

and professional, there are enough examples of those who, at the best, overestimate their knowledge and at worst are simply incompetent when it comes to charity accounting, to be cautious about engaging someone purely on “trust”.

5. Internal Reporting

A fundamental principle of the Charities Act is that ALL Trustees are EQUALLY responsible for the financial management of their charity in accordance with its charitable objects and charity law. It therefore axiomatic that the way that a charity’s financial recording and reporting system is set up – the choice of categories and the way that they are organised and then analysed/aggregated to produce both the regular internal financial reports to Trustees and the charity’s Annual Report & Accounts – MUST be EASILY understandable to ALL the Trustees.

Accountancy gobbley-gook – understandable by only the charity’s accountant and independent examiner (and, perhaps, the Treasurer, too) – is only good for keeping accountants gainfully employed.

It is also important that a charity’s financial records system can quickly and easily produce easily understood interim internal managements reports “on demand” at any time during the financial year.

Without such interim internal reports the charity’s Trustees cannot keep a proper “finger on the pulse” of how the charity’s finances are performing. That not only SIGNIFICANTLY increases the risk that the charity will slide unnoticed into financial difficulties – it also makes it SIGNIFICANTLY harder to make critical decisions on how best to deal with financial difficulties which do arise.

5.1. Interim Internal Budget Reports

The illustration to the right shows what a “typical” internal interim budget report might look like for presentation at each Trustees’ meeting. It is copied directly from Small Charity Support’s example spreadsheet for the fictional “Better Living” charity.

The Budget Report is updated “in real time” as individual transactions are entered into the spreadsheet and therefore requires no time, or skills to print off beyond the ability to make a couple of “mouse clicks”.

Example: Better Living		Budget Report: 31-Dec-19			
RECEIPTS	Prev Yr Out-turn	This Yr Budget	Budget to 31-Dec-19	R&P 31-Dec-19	Accruals 31-Dec-19
VOLUNTARY INCOME					
Membership	3,357	2,500	2,500	2,550	2,550
Donations	5,933	3,000	3,000	3,064	3,064
GiftAid	1,873	800	900	845	975
	11,163	6,300	6,400	6,459	6,589
INCOME GENERATION					
Fundraising	156	100	100	0	0
Interest on Accounts	0	0	0	52	52
	156	100	100	52	52
INVESTMENT INCOME					
Income from Investments	1,573	5,000	5,000	1,986	1,986
	1,573	5,000	5,000	1,986	1,986
CHARITABLE INCOME					
GENERAL FUNDS					
ContRegistrations	0	0	0	1,350	1,350
Miscellaneous	0	0	0	33	13
	0	0	0	1,383	1,363
RESTRICTED FUNDS					
SafeAtHome	8,000	11,250	11,250	11,832	11,832
BetterEating	15,000	8,500	8,500	8,500	8,500
HealthMatters	6,000	4,000	4,000	3,905	3,905
	29,000	23,750	23,750	24,238	24,238
Sub-total - Charitable Income	29,000	23,750	23,750	25,621	25,600
OTHER RECEIPTS					
Receipts In Advance	0	200	200	160	160
	0	200	200	160	160
SUB-TOTAL RECEIPTS	41,892	35,350	35,450	34,278	34,387
ASSETS & INVESTMENTS					
Sale of Investments	0	0	0	5,490	5,490
Sale of Assets	0	0	0	0	0
	0	0	0	5,490	5,490
TOTAL RECEIPTS	41,892	35,350	35,450	39,767	39,877
PAYMENTS					
GENERATING FUNDS					
Fundraising					
Fundraising	0	0	0	0	0
Investments					
Investments Management	-325	-350	-350	-350	-350
Charitable Trading					
Income from Services	0	0	0	0	0
Other					
Miscellaneous	0	0	0	0	0
	-325	-350	-350	-350	-350
CHARITABLE ACTIVITIES (GENERAL FUNDS)					
SafeAtHome	-9,345				
Training	0	-100	-100	0	0
Volunteer Costs	0	-100	-100	-300	0
Networking	-1,343	-600	-600	-1,415	-2,165
Miscellaneous	0	0	0	0	0
	-10,688	-800	-800	-1,715	-2,165
CHARITABLE ACTIVITIES (RESTRICTED FUNDS)					
SafeAtHome					
SaH-Staff Costs	-5,924	-11,250	-11,250	-10,441	-10,952
SaH-Project Costs	-1,041	-800	-800	-744	-744
BetterEating					
BE-Staff Costs	-8,268	-10,000	-10,000	-10,478	-10,691
BE-Project Costs	-5,760	-3,000	-3,000	-3,747	-3,747
HealthMatters					
HM-Project Costs	-5,732	-3,600	-3,600	-3,024	-3,027
	-26,725	-28,650	-28,650	-28,434	-29,162
Sub-total - Charitable Activities	-37,413	-29,450	-29,450	-30,149	-31,327
SUPPORT COSTS					
TrusteesExpenses	0	-150	-150	-23	-23
Salaries	-1,557	-1,080	-1,080	-2,556	-1,059
Office Costs	-1,012	-2,880	-2,880	-3,643	-3,403
Meetings	0	-250	-250	-341	-341
Consumables	0	0	0	0	0
Internet Services	-292	-250	-250	-123	-123
Financial Services	-35	-50	-50	-35	-35
Insurance	-170	-175	-175	-175	-175
Independent Examiner	-250	-250	-250	0	-250
Other	0	-100	-100	0	0
	-3,316	-5,185	-5,185	-6,897	-5,410
Designated Funds					
IT-Replacements	0	-500	-500	-668	-668
Transport	0	0	0	0	0
	0	-500	-500	-668	-668
	-3,316	-5,685	-5,685	-7,565	-6,078
OTHER PAYMENTS					
Payments In Advance	0	0	0	-100	-100
	0	0	0	-100	-100
SUB-TOTAL PAYMENTS	-41,054	-35,485	-35,485	-38,164	-37,854
ASSETS & INVESTMENTS					
Purchase of Investments	0	0	0	-4,208	-4,208
Purchase of Assets	0	0	0	-2,499	-1,200
Depreciation of Assets					-7,542
	0	0	0	-6,707	-12,949
TOTAL PAYMENTS	-41,054	-35,485	-35,485	-44,870	-50,804
NET RECEIPTS LESS PAYMENTS	838	-135	-35	-5,103	-10,927
Cash Funds	838	-135	-35	-3,886	-3,467
Non-Cash Funds	0	0	0	-1,217	-7,460

The first column lists the categories (“*Nominal Accounts*” in accountancy jargon) under which transactions are grouped.

The main category headings correspond with those in the Charity Commission’s model accounts templates.

The sub-category headings provide more detail and will vary from charity to charity according to their specific financial management and reporting requirements.

The second column shows the out-turn for the previous financial year;

The third column shows the full-year budget for the current financial year. Significant differences from the previous year’s out-turn indicate significant changes in the charity’s activities;

The fourth column shows the budget for the period to date. It will therefore vary month-by-month as the financial year progresses according to the charity’s programme plan.

For income and expenditure which is consistent throughout the financial year (eg: utility bills, salaries) the “Budget to Date” figure will increase month-on-month by 1/12th of the total budget for the year as the year progresses. For income and expenditure which is more spasmodic (eg: Gift Aid income or insurance bills) the “Budget to Date” figure will remain static for much of the year, only increasing significantly in the month when the income or expenditure is expected;

The fifth and sixth columns report, respectively:

(i) the actual receipts and payments-to-date on a “cash” basis (for those transactions where the money has actually arrived in, or left, the charity’s accounts by the date of the report; *and*

(ii) the expected income or expenditure on an “accruals” basis (for all transactions during the financial period regardless of whether or not the money has actually arrived in or left the charity’s account.

The figures in the fifth and sixth columns will be the same when all the money for the transaction in that category has already arrived in, or left, the charity’s account (the cash date) by the date of the Budget Report. If the “actual” figures in columns five and six are the same, but differ significantly from the Budget -to-Date figure in column 4 that indicates a potential cash-flow issue caused by the transaction not occurring when originally anticipated when creating the budget.

Where the figures in the fifth and sixth columns differ that indicates a potential cash-flow issue caused by delays in the money arriving in, or leaving, the charity’s account after the transaction occurred.

It can be seen that the simple budget report illustrated contains a wealth of information for the management of the charity’s finances without the trustees having to have any special accountancy skills. When presented routinely at meeting the trustees quickly become familiar with its contents.

Financial monitoring/reporting can then quickly and simply be done on an “exception” basis. All that is necessary is for the treasurer (or other appropriate person) to go through the report high-lighting just those categories where there are significant differences between columns 4, 5 & 6 and, if there are any, explaining the reason for those differences, the implications (if any) for the charity’s finances and the actions to be taken to address those issues.

5.2. More advanced Budget Reporting

Where a charity has one or more specific projects or activities with their own specific budgets – particularly where those projects or activities involve restricted funds – it might wish to create additional enhanced internal interim budget reports to monitor those projects as more separate discrete entities.

The illustration to the right uses exactly the same data from the example “Better Living” charity as the previous illustration. The only difference is that the categories have been re-ordered in the report so that the income and expenditure categories for each individual project are grouped together and some extra rows added to provide the calculations of appropriate sub-totals and a net surplus/deficit for each project.

Like the earlier illustration, the enhanced budget report is automatically updated “in real time” as transactions data are entered and is always available “on demand” for reporting to trustees.

Example: Better Living Funds Report: 31-Dec-19

Restricted Funds					
	Prev Yr Out-turn	This Yr Budget	Budget to 31-Dec-19	R&P 31-Dec-19	Accruals 31-Dec-19
Safe at Home					
Receipts					
SafeAtHome	8,000	11,250	11,250	11,832	11,832
Payments					
SaH-Staff Costs	-5,924	-11,250	-11,250	-10,441	-10,952
SaH-Project Costs	-1,041	-900	-900	-744	-744
Subtotal - Payments	-6,965	-12,050	-12,050	-11,185	-11,697
Net Receipts-Payments	1,035	-800	-800	647	136
Brought Forward	0	1,035	1,035	1,998	1,035
Net Funds	1,035	235	235	2,645	1,171
Better Eating					
Receipts					
BetterEating	15,000	8,500	8,500	8,500	8,500
Payments					
BE-Staff Costs	-8,268	-10,000	-10,000	-10,478	-10,691
BE-Project Costs	-5,760	-3,000	-3,000	-3,747	-3,747
Subtotal - Payments	-14,028	-13,000	-13,000	-14,225	-14,438
Net Receipts-Payments	972	-4,500	-4,500	-5,725	-5,938
Brought Forward	4,413	5,385	5,385	6,156	5,385
Net Funds	5,385	885	885	431	-553
Health Matters					
Receipts					
HealthMatters	6,000	4,000	4,000	3,905	3,905
Payments					
HM-Project Costs	-5,732	-3,600	-3,600	-3,024	-3,027
Subtotal - Payments	-5,732	-3,600	-3,600	-3,024	-3,027
Net Receipts-Payments	268	400	400	881	879
Brought Forward	0	268	268	268	268
Net Funds	268	668	668	1,149	1,147
All Restricted Funds					
	Prev Yr Out-turn	This Yr Budget	Budget to 31-Dec-19	R&P 31-Dec-19	Accruals 31-Dec-19
Total Receipts in Period	29,000	23,750	23,750	24,238	24,238
Total Payments in Period	-26,725	-28,650	-28,650	-28,434	-29,162
Net Receipts-Payments	2,275	-4,900	-4,900	-4,196	-4,924
Brought Forward	4,413	6,688	6,688	8,422	6,688
Net Funds	6,688	1,788	1,788	4,226	1,764

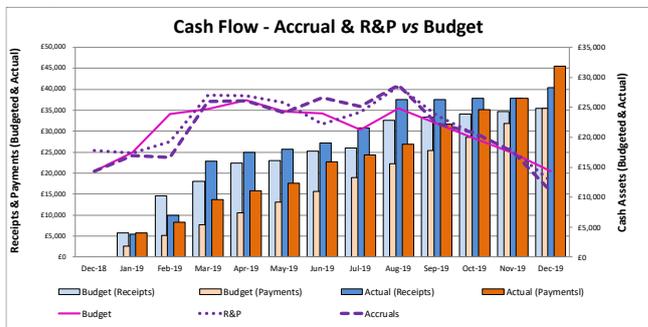
5.3. Interim Internal Cash-Flow Reports

The example interim internal budget report illustrated above does include some cash-flow information – ie: information about money actually arriving into, or leaving, the charity’s bank accounts. But it is more focused on how the actual amounts compared with the expected amounts. In accountancy jargon, it is more focused on accruals than on cash.

In practice, it is one thing for the trustees to be pleased to learn that a fund-raising effort had raised more money than was budgeted, and that one of its charitable activities had cost less than was budgeted. It is a different matter for the trustees to learn that a delay in receiving the increased income from its recent fundraising event meant that it currently has insufficient cash in the bank to pay even the reduced costs of its recent charitable activity.

So regardless of whether a charity produces its **external** statutory annual reports on an Accruals or Receipts & Payments basis it still has to record, monitor and produce interim **internal** financial reports on **BOTH** an Accruals (budget) **AND** a R&P (cash-flow) basis in order to manage its finances efficiently, effectively and economically. Therefore, it is good practice for there also to be an interim cash-flow report – showing how much money has been received and expended to date and consequent **actual** cash in hand and in the bank (and reconciled with the charity’s bank statements) – presented at EVERY Trustees meeting to complement the routine interim Budget report.

It is widely accepted that many people find data easier to understand if presenting in a more visual or graphical form, rather than numeric tables. So, as illustrated by the Small Charity Support spreadsheet, that cash-flow report might be presented in a visual and more understandable graphical format.



5.4. The tail that wags the dog ?

The enhanced budget report also illustrates another key element of Small Charity Support’s approach to financial reporting. Namely that a charity’s systems for recording and reporting its financial activities should be focused primarily on them being able to provide quickly, easily and reliably the information needed by its trustees (and its financial management team – for charities large enough to have one) on a

month-by-month (or even week-by-week) basis to manage their charity's "money matters" efficiently, effectively and economically (and ethically and ecologically !). And for the typical small charity run by non-accountant trustees, that also means the information provided should be simple to understand and not cluttered with financial jargon and obfuscation.

AND the automatic production of the charity's statutory Annual Financial Statement

As with all the other illustrations in this section, what is most appropriate for individual charities will vary considerably – there is no "one size fits all".

Instead, what the illustrations demonstrate is:

- ✓ The financial recording & reporting system (*ie*: bookkeeping) needed to produce the interim internal financial reports necessary for the efficient and effective month-by-month financial management of a charity's is not – **and should not be** – dictated by whether the charity is required to provide its statutory annual reports on an Accruals or Receipts & Payments basis;
- ✓ An effective financial recording & reporting system should, **and will**, be able to record both the operational (accrual) date and the cash date in a simple coherent manner enabling that one set of transactions records to produce both interim internal management reports and statutory external reports on either/both an Accruals basis or/and Cash-Flow (R&P) basis to meet the charity's operational needs;
- ✓ An effective financial recording & reporting system, particularly one for small charities run by non-accountant trustees/volunteers/staff, **and will**, be able to produce "on demand" both internal and external reports on both an Accruals basis and/or a R&P (Cash-Flow) basis, *ie*: without additional manipulation of the basic transactions data, particularly if that additional manipulation requires additional specific accountancy/bookkeeping skills.

6. Trustees' Annual Report & Financial Statements

At the end of each financial year your charity should produce a Trustees' Annual Report & Accounts (known formally as the Trustees' Annual Report and Financial Statements – TAR&FS) even if it is not legally required to submit them to the Charity Commission (see section 2, above).

The public in general – and particularly any person or organisation who/which donates to your charity – is entitled to ask for, and to be shown, them. And most large funders will not give grants unless you have well-written annual reports on your charity's achievements and accompanying financial records signed off by an Independent Examiner.

For those charities which are legally required to submit their TAR&FSs to the Charity Commission there is extensive guidance on what they should contain. Not surprisingly, the requirements vary according to a charity's annual income and are quite rigorous/onerous for larger charities (*ie*: over £250,000 per year). For full details see the Charity Commission website:

<https://www.gov.uk/guidance/prepare-a-charity-trustees-annual-report>

For much shorter précis focused just on the requirements for small charities (under £250,000 per year) see the companion leaflet:

7b: Preparing the Trustees' Annual Report & Financial Statements.

Even if you are just starting up your charity and so producing your first Trustees' Annual Report & Financial Statement is still some way ahead, it is advisable to at least familiarise yourself with what will be required. It would be a great inconvenience if, as you came to write your first TAR&FS, you were to find that they required information which you had, out of lack of knowledge, failed to collect in an appropriate format or, worse, had failed to collect at all.

6.1. Accruals "Accounts" or Receipts & Payments "Accounts"?

The word "accounts" – is defined in the Cambridge on-line dictionary as:

"An official record of all the money a person or company has spent and received".

It is used rather ambiguously in the financial world to mean either – and, usually, both:

- ❖ the detailed records of an organisation's individual financial transactions on a day-to-day basis; and/or

- ❖ an organisation's periodic "point-in-time" report of its financial activities aggregated over a period of time.

That period of time is often thought of as being the organisation's formal annual report to its stakeholders (eg: shareholders and investors in the commercial sector; members, beneficiaries, donors in the charity sector) in a format legally specified by the organisation's regulatory body (eg: Companies House in the commercial sector, the Charity Commission for the charity sector).

As a consequence of that ambiguity it is often mistakenly thought/assumed (particularly by those who have not had financial training) that the type of accounts – in the sense of day-to-day transactions records -that a charity has to keep is dictated by they type of accounts – in the sense of formal periodic reports – that they have to produce to submit to their regulatory body.

ie: that the type of day-to-day transactions records that a charity needs to keep in order to produce its Annual Report in accruals format are significantly different from the type of transactions records that it needs to keep in order to produce in Annual Report in Receipts & Payments format.

That is NOT THE CASE.

For the Efficient, Effective and Economic (and Ethical and Ecological) management of any organisation, regardless of size and sector, The same transactions data information has to be recorded irrespective of whi

6.2. Independent Examination of your charity's accounts.

If your charity's annual income is over £25,000 you are legally required to have your annual accounts independently examined¹ and to submit the examined accounts to the Charity Commission which will put them into the public domain on its website.

An independent examiner is 'an independent person who is reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts'. So, provided that they are able to follow the Charity Commission guidelines for an independent examination:

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>

they do NOT have to be a professional accountant or qualified independent examiner (eg: a member of the Association of Charity Independent Examiners – www.acie.org.uk).

A common misunderstanding amongst charity trustees is that the Independent Examination is required to check only that there is documentary evidence for transactions and that "the numbers add up"

The Independent Examiner has to comply with the Charity Commission Directions on how an Independent Examination must be conducted in order that he/she can responsibly make the required formal statement about the examination.

There are 13 Directions for Independent Examinations, but Direction 7 and parts of Directions 8 & 9 only apply to accounts prepared on the Accruals basis. The Directions themselves are, inevitably, written in "legalese", so the following is a précis of the Direction in more "ordinary" language and as they relate to charities which manage their finances on a Receipts & Payments (R&P) basis:

- 1 Check whether the charity is eligible to have an independent examination
- 2 Check for any conflict of interest that prevents the examiner from carrying out their independent examination
- 3 Record your independent examination
- 4 Plan the independent examination
- 5 Check that accounting records are kept to the required standard
- 6 Check that the accounts are consistent with the accounting records
- 7 If the accounts are prepared on an accruals basis and one or more related party transactions took place the examiner must check if these were properly disclosed in the notes to the accounts.
- 8 Check the reasonableness of the significant estimates and judgments and accounting policies used in accounting for the types of fund held and in the preparation of the accounts
- 9 The examiner must check whether the trustees have considered the financial circumstances of the charity at the end of the reporting period and, if the accounts are prepared on an accruals

basis, check whether the trustees have made an assessment of the charity's position as a going concern when approving the accounts

- 10 Check the form and content of the accounts
- 11 Identify items from the analytical review of the accounts that need to be followed up for further explanation or evidence
- 12 Compare the trustees' annual report with the accounts
- 13 Write and sign the independent examination report

6.2a Statutory Duty to Report to the Charity Commission

In addition, Examiners have a legal duty to report to the Charity Commission anything which they believe to be "irregular" or improper in the charity's accounts.

6.2b Charity Commission Guidance Publications

A fuller and more detailed description of the Directions for the Independent Examination of charity accounts is set out in the Charity Commission guidance publication for charity Independent Examiners, CC32, "*Independent Examination of Charity Accounts: Examiners*"

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>

Your Independent Examiner should have a copy.

There is also a companion guidance publication for charity Trustees, CC31, "*Independent Examination of Charity Accounts: Trustees*"

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-trustees-cc31>

Your Trustees should certainly know of the existence of that guidance and be able to access it should it be necessary. However, much of the guidance is for the preparation of accounts on the more complex Accruals basis, so the Trustees of small charities using simple R&P accounts would NOT be expected to be familiar with "every word, cover to cover".

6.3. Categories Structure for Interim Budget Reports to Trustees

The illustration to the right, taken from the Small Charity Support Example Spreadsheet for the “Better Living” charity, shows a structured Budget Report with categories and sub-categories for a small charity.

For more details, see the guidance leaflets for the spreadsheet.

In the Small Charity Support Example spreadsheet the Budget Report is calculated “in real time” as individual transactions are entered into the spreadsheet without any additional action on the part of the Bookkeeper or the Treasurer.

That means that the Budget Report can always be produced instantly “at the click of a button” and is as up-to-date as the latest transactions which have been entered into the spreadsheet.

Note that, because the Small Charity Support spreadsheet records both the date that transactions were committed (the Accrual Date) and the date that “the money changed hands” (the Cash Date) the Budget Report is produced in both Receipts & Payments and Accruals formats simultaneously from the same transactions data.

6.4. Categories Structure for End-of-Year Annual Financial Statements.

The transactions data can then be aggregated into a higher level Categories structure for inclusion in the charity's Annual Financial Statements for reporting to the charity's stakeholders, the Charity Commission and the public register as required.

And, as with the interim Budget Reports, the fact that the transaction data include both the Accruals Date and the Cash Date, the data can be aggregated simultaneously into Financial Statements in both Receipts & Payments and Accruals formats.

Receipts & Payments for the Financial Year Ended 31-Dec-19				
	Current Financial Year, Jan'19-Dec'19			Last Year
	Unrestr'd Funds £	Restricted Funds £	Total £	Total £
A1 - RECEIPTS				
Voluntary Income	6,459		6,459	11,163
Income Generation	52		52	156
Investments Income	1,986		1,986	1,573
Charitable Income	1,383	24,238	25,621	29,000
Other Receipts	160		160	0
	10,040	24,238	34,278	41,892
A1 - ASSETS & INVESTMENTS				
Sale of Investments	5,490		5,490	0
Sale of Assets	0		0	0
	5,490	0	5,490	0
TOTAL RECEIPTS	15,530	24,238	39,767	41,892
A3 - PAYMENTS				
Generating Funds	-350		-350	-325
Charitable Activities	-1,715	-28,434	-30,149	-37,413
Support Costs	-7,565		-7,565	-6,632
Other Payments	-100		-100	0
	-9,729	-28,434	-38,164	-44,370
A4 - ASSETS & INVESTMENTS				
Purchase of Investments	-4,208		-4,208	0
Purchase of Assets	-2,499		-2,499	0
	-6,707	0	-6,707	0
TOTAL PAYMENTS	-16,436	-28,434	-44,870	-44,370
NET OF RECEIPTS-PAYMENTS	-906	-4,196	-5,103	-2,478
A5 - Transfers Between Funds	-553	553	0	0
NET AFTER TRANSFERS	-1,460	-3,643	-5,103	-2,478
Allocation of Actual Funds for the Financial Year To 31-Dec-19				
	Current Financial Year,			Last Year
	Unrestr'd Funds £	Restricted Funds £	Total £	Total £
Actual Funds Brought Forward	9,318	8,422	17,740	20,218
Movement After Transfers	-1,460	-3,643	-5,103	-2,478
Total Funds Carried Forward	7,858	4,779	12,637	17,740

Statement of Financial Activity, Financial Year Ended 31-Dec-19				
	Current Financial Year,			Last Year
	Unrestr'd £	Restricted £	Total £	Total £
INCOMING RESOURCES				
Donations & legacies	6,589		6,589	11,163
Charitable activities	1,363	24,238	25,600	24,238
Other trading activities	52		52	52
Investments	1,986		1,986	1,573
Separate material items of interest	0		0	
Other	160	0	160	0
TOTAL INCOME	10,149	24,238	34,387	37,025
RESOURCES EXPENDED				
Raising funds	-350	0	-350	-325
Charitable activities	-2,165	-29,162	-31,327	-37,413
Support costs	-6,178		-6,178	-14,462
Separate material items of interest	0		0	
Other	-7,542	0	-7,542	0
TOTAL EXPENDITURE	-16,234	-29,162	-45,396	-52,200
Net income-expenditure before gains/losses on investments	-6,085	-4,924	-11,009	-15,174
Net gains/losses on investments	-28	0	-28	0
NET INCOME-EXPENDITURE	-6,113	-4,924	-11,037	-15,174
Extraordinary Items	<i>Generally not applicable to small charities</i>			
Transfers Between Funds	-553	553	0	0
Other recognised gains/losses	<i>Generally not applicable to small charities</i>			
NET MOVEMENT IN FUNDS	-6,666	-4,371	-11,037	-15,174

Reconciliation of Net Funds, Financial Year To 31-Dec-19				
	Current Financial Year,			Last Year
	Unrestr'd	Restricted	Total	Total
Net Funds Brought Forward	67,410	6,688	74,098	73,260
Movement After Transfers	-6,666	-4,371	-11,037	838
Total Funds Carried Forward	60,744	2,317	63,061	74,098

6.5. Movements in Funds

A statement of Movements in Funds is not required for Receipts & Payments accounts, but you might like to include one anyway.

Movements in Actual Funds for the Financial Year To 31-Dec-19					
Cash Assets	Bl'Fwd at	Receipts	Payments	Transfers	Cd'Fwd at
	01-Jan-19	in Period	in Period	in Period	31-Dec-19
Cash at Bank & in Hand					
Bank, Current Account	5,702	40,316	-45,461	3,900	4,457
Cash Account	38	0	-9	100	129
PayPal Account	0	0	0	0	0
Bank, Deposit Account	12,000	52	0	-4,000	8,052
Actual Cash Assets	17,740	40,367	-45,470	0	12,637
Owed to Charity (Overdue Receipts)	1,478				988
Owed by Charity (Overdue Payments)	-5,670				-3,462
Net Cash Assets	13,548				10,163

6.6. Statement of Assets & Liabilities

Receipts and Payments accounts are not required to include the full statements of assets, including creditors, debtors and other material assets, but it is required to show a simple summary of the charity's assets along the following lines.

Statement of Assets & Liabilities as at 31-Dec-15				
	Unrestricted Funds	Designated Funds	Restricted Funds	Total at 31-Dec-15
Cash Assets	15,411	593	8,890	24,894
Other Monetary Assets	228			228
Investments Assets				None
Assets Retained for Own Use	725	320	2,451	3,496
Liabilities				None

Note: Assets retained for own use are shown at purchase price. The current (residual) value is unknown.

Cash Assets are immediately available cash, *eg*: Bank current & deposit accounts, petty cash, etc. The numbers included in this line should tally with the previous figures.

Other Monetary Assets are monies which are, or will be, due to the charity but have not yet been claimed, *eg*: Gift Aid, payments for goods/services delivered by the charity but not yet invoiced.

Investment Assets are things like stocks, shares, land or property held for investment/income.

Assets Retained for Own Use are physical assets, like computers, furniture, vehicles, building owned and occupied by the charity etc. Under Receipts & Payments account you are not required to depreciate the value of such items over time and regard the depreciation as an expenditure. In any case, the depreciation of such items may not be meaningful as the depreciated "value" often bears little relationship to the second-hand value of the item (ie: the money that could be got by selling the item). It is generally satisfactory to just indicate the price paid for the item(s) when purchased.

Liabilities are things that you know that your charity is going to have to pay (*eg*: a salary to an employee; a bill to a supplier) at some stage in the near future (usually within the next financial year).

6.7. Charity Commission Guidelines and Templates for Receipts & Payments Accounts

For fuller details of the Charity Commission's guidelines for the preparation of Receipts & Payments accounts see: <https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16>

As well as guidance on what is required the pack also includes a template for the presentation of the Receipts & Payments accounts and the Statement of Assets & Liabilities in both PDF and MS-Excel spreadsheet format. The MS-Excel spreadsheet format is illustrated on the following page.

However, a number of the items in the spreadsheet will not be required for smaller charities with simple finances.



Charity Name	No (if any)
Receipts and payments accounts	
For the period from	To
Period start date	Period end date

CC16a

Section A Receipts and payments

	Unrestricted funds to the nearest £	Restricted funds to the nearest £	Endowment funds to the nearest £	Total funds to the nearest £	Last year to the nearest £
A1 Receipts					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Sub total (Gross income for AR)	-	-	-	-	-
A2 Asset and investment sales, (see table).					
	-	-	-	-	-
	-	-	-	-	-
Sub total	-	-	-	-	-
Total receipts	-	-	-	-	-
A3 Payments					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Sub total	-	-	-	-	-
A4 Asset and investment purchases, (see table)					
	-	-	-	-	-
	-	-	-	-	-
Sub total	-	-	-	-	-
Total payments	-	-	-	-	-
Net of receipts/(payments)	-	-	-	-	-
A5 Transfers between funds					
	-	-	-	-	-
A6 Cash funds last year end					
Cash funds this year end	-	-	-	-	-

Section B Statement of assets and liabilities at the end of the period

Categories	Details	Unrestricted funds to nearest £	Restricted funds to nearest £	Endowment funds to nearest £
B1 Cash funds		-	-	-
		-	-	-
		-	-	-
	Total cash funds	-	-	-
	(agree balances with receipts and payments account(s))	OK	OK	OK
		Unrestricted funds to nearest £	Restricted funds to nearest £	Endowment funds to nearest £
B2 Other monetary assets		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
B3 Investment assets		Fund to which asset belongs	Cost (optional)	Current value (optional)
			-	-
			-	-
			-	-
			-	-
			-	-
B4 Assets retained for the charity's own use		Fund to which asset belongs	Cost (optional)	Current value (optional)
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
B5 Liabilities		Fund to which liability relates	Amount due (optional)	When due (optional)
			-	-
			-	-
			-	-
			-	-
			-	-
Signed by one or two trustees on behalf of all the trustees	Signature	Print Name	Date of approval	