



## **Handy Hints sheets**

### **Accounts**

#### **Introduction**

This guidance is intended to introduce the principles behind basic and simple accounts and why it is beneficial and increasingly requested by both statutory bodies, charitable trusts and foundations.

The focus of this guide is for either new organisations or clubs who have been running for a few years. The information included and suggested in this document is what we at Age Concern England would anticipate in support of funding applications, specifically to the Barclays and Bright Ideas programmes.

Most organisations will keep accounts for funding applications and internal records. The keeping of accounts does not have to be overly time consuming. It should show all incoming and outgoing funds. This will normally be listed as 'income' and 'expenditure', but can be referred to in a number of ways including 'Profit and Loss'.

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## **What are accounts?**

Accounts are not just about money, income and expenditure, but include things like property, investments or assets. Accounts are regular summaries of your organisations or groups' financial activities and will provide information for committee members, staff, volunteers and others who may look at your financial position. Normally accounts, are produced at the end of an accounting or financial year and are normally called end of year accounts. The actual period is up to each group or organisation, but April to March is the most common.

## **Why we need accounts?**

When organisations apply for a grant from Age Concern England we require you to provide us with a copy of your most recent annual accounts. If you have been running for less than 12 months, we would ask you to provide a projection of income and expenditure for the first 12 months. Accounts should accompany an application as it will provide important information that our Allocation Committee will look consider, including:

- The committee will normally look at how much income and expenditure you have,
- Levels of reserves (or your balance at the end of the year) and what other grants or funding you have previously had.
- The committee tend not to fund projects if you have close to or more than a years worth of expenditure as your closing balance or reserves.

## **Who needs accounts?**

All groups and organisations need accounts. Even if you are a new organisation, you should be producing draft accounts for your first year. The level of information can be kept quite basic, unless you are anticipating a substantial rise in the level of income. In this Guide we will focus upon smaller organisations and groups. It is also worth remembering that the presentation of accounts should be kept simple and straight forward to allow everyone connected with an organisation or group to be able to read them. Accounts are routinely needed for applications and grant bids so they need to be able to be understood by a wide range of people. If the accounts cannot be understood by members of the group then it is also possible that they may not be understood by people who you are trying to receive support and funding from.

## **The need for accounts**

Accounts can be done on a 'project' basis (i.e., you may run a lunch club and a separate Bingo club which would be 2 distinct projects) and compiled into one all inclusive summary document. More importantly, it's not just a paper exercise. The preparation of monthly or quarterly financial information is routinely done by many organisations to provide a current financial position for the Trustees or management committee members. This is important as it shows the financial position of the group and that an appropriate level of management and review of the finances is occurring. Voluntary management committee members have a responsibility to report on the finances of their organisation. Depending on the status of the organisation or group (e.g. a charity or an incorporated body such as a company or an industrial and provident society) this may be a *legal* requirement. If you are not a charity the responsibility to report is possibly more a moral than legal. However, it is common for funders to require the production of proper accounts as a condition of funding.

## **Bank Accounts**

Accounts are vital for any organisation and in most cases an organisation should also have its own bank account. The Charity Commission has a lot of information on accounting structures and financial procedures that should be in place including bank accounts. Age Concern England suggests that the name of the bank account should be the same as the name of the organisation on your governing document/ constitution. The bank account should also have 2 cheque signatories, who should not be related. Typically, this information is common sense but it is important that these measures are known within your organisation and that you list them in your constitution or specific policy document.

Handy Hints Sheets - Guide to Accounts. Handy Hints sheets have been devised by Age Concern England's Grants Unit to provide applicants with helpful advice to improve applications and projects. These should be used as a guide and are not intended to be comprehensive. 3

## **The Charity Commission**

The Charity Commission in England and Wales are the regulators of the voluntary sector and have a huge amount of information at their disposal on this subject. For 'registered' charities, (i.e., those that have registered with the Commission and agree a number of requirements) there are certain requirements placed upon an organisation or group depending upon its level of income or expenditure. Basically, the larger an organisation or group is, the more requirements that are required, for example, the larger the income the higher the level of Independent Examination that accounts should receive.

The Commission provides information on what charities should do and what they are recommended to do. The recommendations are suggested as examples of good practice which should be followed unless there is a specific reason not to do so. These recommendations should be followed by all voluntary and not for profit organisations and groups, whether you are 'registered' with the Charity Commission or not.

Of the many requirements listed by The Charity Commission for groups or organisations is some sort of External scrutiny of the financial accounts. External scrutiny is linked to an independent review of the accounts.

There is no requirement to have the accounts independently examined or audited where neither gross income or total expenditure is over £10,000 in the charity's relevant financial year, unless the charity's governing document stipulates it. The Charity Commission does have the power to require an audit in exceptional circumstances.

## Examples of Accounts

- **Example 1**

These accounts are basic and are a 'projection' of the types and level of income and expenditure that a small club may experience in its first year.

New Voluntary Organisation – Older Peoples Yoga Club

Draft Projected Accounts for the Year Ending 31<sup>st</sup> March 2008

| Income                        |        | Expenditure             |      |
|-------------------------------|--------|-------------------------|------|
| Members Fees                  | £525   | Equipment               | £250 |
| Donations                     | £128   | Tutor fees              | £175 |
| Monies from Jumble sales      | £241   | Dinner & Tea Dance fees | £112 |
| Monies from tea dance         | £165   | Refreshments            | £156 |
|                               |        | Room hire               | £103 |
| Total                         | £1,059 |                         | £796 |
| Amount carried forward/Assets |        |                         | £263 |

Signed and dated by Treasurer, Chair or senior person within group.

- **Example 2**

### Log Books

Sometimes organisations and groups keep a record of their accounts/ financial details simply as a log book listing each new item as and when it is paid or received by the group. In such circumstances Age Concern England would not necessarily want to see the entire log, but a summary of the income and expenditure totals, with reserves and assets.

| Horseshoe Club Accounts to Year end 31 <sup>st</sup> March 08 |                     |         |          |                 |
|---|---------------------|---------|----------|-----------------|
| Date  | Item                | Income  | Outgoing | Opening balance |
| 31st March  |                     |         |          | £563.12         |
| 6th April   | Interest on account | £9.54   |          | £572.66         |
| 28th April  | Stamps              |         | £4.50    | £568.16         |
| 5th May   | Utilities           |         | £29.89   | £538.27         |
| 8th June  | Fun day             | £25.76  |          | £565.03         |
| 29th July   | Telephone bill      |         | £17.19   | £547.84         |
| 2nd September   | Annual Subs         | £115.00 |          | £662.84         |
| 6th October   | Transport fees      |         | £45.93   | £616.91         |
| 4th December  | Raffle              | £25.23  |          | £642.14         |
| 23rd December   | Lunch               |         | £78.93   | £563.21         |
| 3rd February  | Donation            | £15.00  |          | £578.21         |
| 5th March   | Utilities           |         | £16.90   | £561.31         |
|   |                     |         |          |                 |
| Totals for the year.  |                     | £190.53 | 193.34   | £561.31         |

Signed and dated by Treasurer on behalf of Committee:

Funds to be carried forward £561.31

These accounts show the total figures of Income, Outgoings and the Closing Balance. Should this group apply to Age Concern England they would be unlikely to be supported due to the high figure of the closing balance. The Allocations committee rarely fund an application if the closing balance or reserves is close to or above a years worth of outgoings or expenditure.

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- **Example 3**

These accounts are far more detailed than the above accounts. Introduced into these accounts are columns for 'Notes', 'Unrestricted' and 'Restricted'. 'Notes' provides an opportunity to provide further information against a specific subject. 'Unrestricted' and 'Restricted' funds are ways of differentiating types of income and expenditure. 'Unrestricted' is normally referred to general funds that can be used for a range of items, services or activities. 'Restricted' is normally referred to funds that have been awarded or granted for a specific purpose and a specific items.

Older Peoples Social and Support Club

Statement of Financial Activities for the Year Ending 31<sup>st</sup> March 2008

| Income                   | Notes | Unrestricted Funds 2008 | Restricted Funds 2008 | Total 2008    | Total 2007  |
|--------------------------|-------|-------------------------|-----------------------|---------------|-------------|
| Members Fees             |       | £525                    |                       | £525          | £124        |
| Donations                | 1     | £128                    |                       | £128          | £67         |
| Monies from Jumble sales |       | £241                    |                       | £241          | £113        |
| Monies from tea dance    |       | £165                    |                       | £165          | £0          |
| Grants                   | 2     |                         | £5,000                | £5,000        | £0          |
| <b>Total</b>             |       | <b>£1,059</b>           | <b>£5,000</b>         | <b>£6,059</b> | <b>£304</b> |
|                          |       |                         |                       |               |             |
|                          |       |                         |                       |               |             |
|                          |       |                         |                       |               |             |
|                          |       |                         |                       |               |             |
|                          |       |                         |                       |               |             |

| Expenditure                  | Notes | Unrestricted Funds 2008 | Restricted Funds 2008 | Total 2008 | Total 2007 |
|------------------------------|-------|-------------------------|-----------------------|------------|------------|
| Utilities                    |       | £325                    |                       | £325       | £119       |
| Tutor fees                   |       | £752                    |                       | £752       | £112       |
| Events, including: tea dance |       | £120                    |                       | £120       | £0         |
| Grants                       | 2     |                         | £5,000                | £5,000     | £0         |

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|       |        |        |        |      |
|-------|--------|--------|--------|------|
| Total | £1,197 | £5,000 | £6,197 | £224 |
|-------|--------|--------|--------|------|

Surplus of income over expenditure: -£139

Carried forward amount from 2007: £567

Closing balance: £428

*Notes forming part of the Financial Statements for the year ending Year Ending 31<sup>st</sup> March 2008*

1.

| Donations                     | Unrestricted Funds 2008 | Restricted Funds 2008 | Total 2008  | Total 2007 |
|-------------------------------|-------------------------|-----------------------|-------------|------------|
| Individual Donations          | £28                     |                       | £28         | £67        |
| Monies from Sir John Somebody | £100                    |                       | £100        | £0         |
| <b>Total</b>                  | <b>£128</b>             | <b>£0</b>             | <b>£128</b> | <b>£67</b> |

2.

| Grants                             | Unrestricted Funds 2008 | Restricted Funds 2008 | Total 2008    | Total 2007 |
|------------------------------------|-------------------------|-----------------------|---------------|------------|
| Age Concern England Awards for All |                         | £1,000                | £1,000        | £0         |
| Lloyds TSB                         |                         | £3,000                | £3,000        | £0         |
| <b>Total</b>                       | <b>£0</b>               | <b>£5,000</b>         | <b>£5,000</b> | <b>£0</b>  |

Approved by the management committee and signed and dated on their behalf by:

Treasurer: \_\_\_\_\_

Mrs. A. Count

Date:

Chair: \_\_\_\_\_

Mr. I.N.Charge

Date:

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## Further Reading and Reference Materials

This guide is focused on small organisations and groups. For large organisation and projects there are a number of documents that may be of benefit. Please note that Age Concern England does not monitor these and has no control over the content.

London School of Economics – ‘Building the Capacity of Small Voluntary Agencies’.

Directory of Social Change – General information on Finance.

[http://www.dsc.org.uk/community\\_libraries/database\\_finance.html](http://www.dsc.org.uk/community_libraries/database_finance.html)’.

VolResource- [http://www.volresource.org.uk/services/serv\\_bnk.htm](http://www.volresource.org.uk/services/serv_bnk.htm) - *Information on choosing bank accounts.*

Charity Accounts: A Practical Guide to the Charities SORP by G. Dawes and Andrew Pianca (Paperback - Sep 2006)

NCVO - Introductory Pack on Funding and Finance - <http://www.ncvo-vol.org.uk/publications/publication.asp?id=3257>

Big Lottery Fund- Guide to accounts: <http://www.biglotteryfund.org.uk/search-uk?regioncode=-uk&qt=account%20guidance|-language:welsh&col=bigeng&formatted=1>

Scottish Council for Voluntary Organisations -

<http://www.scvo.org.uk/scvo/Information/ViewInformation.aspx?al=t&from=h&Info=628>

For further information please contact your local Age Concern or

The Grants Unit,  
Age Concern England  
Astral House.  
1268 London Road  
London SW16 4ER

Tel:020 8765 7738 Fax: 020 8679 9154

Email: [grants.unit@ace.org.uk](mailto:grants.unit@ace.org.uk)

Web [www.ageconcern.org.uk](http://www.ageconcern.org.uk)

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