

FINANCE TOOLKIT

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INTRODUCTION

We hope that you will find this toolkit useful in helping you to develop your organisations understanding and practice of good financial management. Aston-Mansfield's Community Involvement Unit (**CIU**) with financial support from City Bridge trust has developed this toolkit to give you a road map on your journey towards the effective financial management of your voluntary or community organisation.

This toolkit will provide you with practical step by step guides in setting up key policies, systems, and procedures essential to best practice financial management. It will also offer you information on some of the legal requirements that have been put in place by the **UK government** and the **Charity Commission** (the governing structure for the charity sector in England and Wales). Plus, signpost you to other useful sources of information that will further expand your understanding of some of the more complex requirements of charity governance and finance.

It's important to note that this guide is not just for your group's treasurer. Your entire management committee shares responsibility for your group's finances. Therefore, it's important that your whole committee understands how your group's finances are managed.

Please note that the toolkit will be update on a regular basis, when new information and guidance has been released. Therefore, this guide should not be printed off without ensuring you have the latest version.

If you are having any difficulties in working your way through the toolkit, please contact the Fitter Finances Programme team via email: ciu@aston-mansfield.org.uk

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WHO IS THIS TOOLKIT FOR?

This guide is primarily for new and small community groups who are seeking guidance around setting up good financial management procedures.

As the regulator of charities in England and Wales, the **Charity Commission** expects charities that fundraise to do so in a way which protects their charity's reputation and encourages public trust and confidence in their charity. This includes following the law and recognised standards, protecting charities from undue risk, and showing respect for donors, supporters and the public (***Charity fundraising: a guide to trustee duties (CC20)***).

An example of Trustee responsibility:

Your legal duty	It's vital that you
Act in your charity's best interests	Deal with conflicts of interest
Manage your charity's resources responsibly	Implement appropriate financial controls Manage risks
Act with reasonable care and skill	Take appropriate advice when you need to, for example when buying or selling land, or investing (in some cases this is a legal requirement)

FINANCIAL MANAGEMENT BASICS

Financial management is more than keeping accounting records. It is an essential part of organisational management and cannot be a separate task to be left to finance staff or the treasurer.

You can only achieve effective financial management if you have a sound organisational plan. A plan in this context means having set objectives and having agreed, developed and evaluated the policies, strategies, tactics and actions to achieve these objectives.

If you want your organisation to be successful in the longer term, managing your finances is key. Any decision-making for your organisation's work and activities should be informed by its financial situation and many funders will only invest in organisations that can prove they can look after the money.

Four basic pillars are at the heart of good financial management. These are:

Money Rules (Financial Procedure)

Money Planning (Budgeting and cashflow)

Money Recording (Bookkeeping)

Money Reporting (Management and annual Accounts)

These four pillars are important because they allow you to keep track of how much money you have and what you need. They also ensure that you know how you've spent your money and whether donations are being used appropriately.

The rest of this guide will help you set up the systems, policy and procedures you need to carry out these three core activities.

The Importance of Financial Management

As soon as you start working, you'll be expected to have financial systems in place and keep track of your group's financial information.

The benefits of good financial management

If you put financial systems, policies and procedures in place right from the start, keeping track of the money, you raise will be manageable and you can avoid problems.

The systems and policy you create will allow you to build trust with your supporters and ensure that preparing your end of year accounts will be straightforward.

The risks for poor financial management

On the other hand, if you don't keep proper financial records or do not have good procedures in place you can harm your group and limit its ability to apply for funding in the future.

Poor financial management can also lead to accusations of fraud and give your group a bad reputation. In the worst-case scenario grants may need to be paid back to the funder from committee members' personal funds. This means that it's worth spending time on financial management right from day one.

Roles and Responsibilities of the Management Committee

Your management committee has a duty to ensure that funds donated to your group are spent for the reasons they have been given. Your committee can't carry out this duty if they don't understand financial management, so it's essential that your committee understands your group's financial management.

In addition to this fundamental duty to safeguard donations, your management committee's main responsibilities in connection to finance include:

- Complying with legal requirements
- Ensuring that controls are in place to safeguard your group's funding
- Making sure that funding is spent for the purposes it was given and within the remit of your constitution
- Ensuring that accurate records of all income and expenditure are kept
- Approving and monitoring budgets
- Making sure your group does not spend more than it has in its account
- Meeting regularly to discuss finances
- Informing all committee members regularly of your group's account balance
- Authorising all purchases
- Keeping a list of assets purchased with funding given to your group

The role of the treasurer

The treasurer is responsible for taking care of the money, overseeing your group's finances and reporting back to the committee. Specific tasks that fall under the remit of the treasurer include:

- Managing income and expenditure around funding and fundraising
- Banking, book keeping and record keeping
- Checking and paying invoices and bills
- Keeping the group informed about the funding situation
- Advising the group on fundraising
- Co-ordinating and helping with funding applications
- Preparing and presenting the end of year accounts to the committee to be signed off, usually by your chairperson

FOUR PILLARS OF FINANCIAL MANAGEMENT

1. Money Rules (Financial Procedure):

Introduction to Your Financial Policy

It is very important that you have a written policy which outlines how you'll manage your finances. Your policy should also outline how you're going to safeguard your group's money.

How much detail you need in your policy depends on the size of your group and its income. Regardless of your size, your financial policy should be reviewed at least every six months.

Remember, the system you set up now doesn't need to be the system you keep forever. As your group grows your policy can be revised.




Take care not to overcomplicate financial procedures. It is important that you create a policy that fits your needs. It's better to have a simple policy that you'll be able to follow than an extensive policy that you will put on the shelf and not use.

Things to Consider in Your Financial Policy

When creating your financial management policy, you should also consider the following:

How will you record information?

Your policy needs to state how you'll record information.

Spreadsheets	Databases	Software
		

Who will check your financial information?

The treasurer has ultimate responsibility for recording and keeping all financial information, but we also recommend having another person on the committee to support them and cross check all records. This safeguards against fraud and errors.

Who will be the cheque signatories?

You only need a minimum of two people to sign each cheque, but we recommend having at least three people who can sign the cheques. One of these should be the treasurer.

How will you make payments?

Most small group's use a chequebook to make payments. Cheques should always be paid against an original invoice, which should be available when signing cheques. You should never sign blank cheques! This can leave your group wide open to fraud.

When will your financial year start?

Your first financial year can start at any time in the year, but most group's will start their financial year on 1 April.

Will you need a petty cash system?

If your group will make many small cash transactions, you may need a petty cash system.

Volunteers expenses

If your group will welcome volunteers, you need to consider paying their expenses. Your policy should lay out what expenses will or will not be covered. Expenses should be agreed with volunteers in advance and be backed up by documentary evidence (e.g. a receipt or mileage record).

Paying staff

Once your group is large enough to employ staff you will be responsible for all the legal obligations of paying the person's wages, tax, and national insurance contributions and pension (**For details refer to pension guidelines**). Payments to committee members are not normally permitted except to reimburse expenses.

Tax

Group's will normally pay VAT on all purchases and can be reclaimed if they are a registered charity. Group's not registered as a charity could be liable for Corporation Tax.

Internet banking

Procedures need to be in place if your group wants to bank online. You will need procedures properly authorising standing orders, direct debits and other online payments. Online payments still need to be authorised with at least two signatories and passwords need to be kept secure.

If a signatory on the management committee leaves the group, passwords and PIN numbers need to be changed immediately.

What your policy must contain

At a minimum, your financial policy should include:

- Who can spend what and with whose authority
- Controls on financial assets (donations). This would include information like who records, and deposits cheques and cash received
- You need to define who can spend how much and on what. You also need to consider what expenditure needs special permission
- If you have physical assets – like equipment – you need to define who is responsible for them and what arrangements, you'll need if you want to lend them out

2. Money Planning (Budgeting and cashflow)

Predicting Financial Needs: Cashflow

A cashflow forecast looks at the future and predicts how much money will come into and go out of your group over a fixed period. This lets you see how much money you'll need to cover your costs over a given period.

You can use your cashflow forecast to check whether you'll be able to cover your group's costs every month. This timing of payments is essential to ensuring that your group does not find itself unable to cover its costs at any point in the year.

At the start your cashflow forecast may be just estimates. That's ok – you can always go back and update the forecast.

Cashflow step by step

1. Set up a table with income and expenditure. Use our **cashflow template** to get started.

Cash Flow Statement - Template													
For the year ended													
Name of Organisation:													
Balance brought forward:	£	-											
	Month												
	1	2	3	4	5	6	7	8	9	10	11	12	Tot
Starting balance:	£	-											
Income:													
<Corporate sponsorship>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Membership/subscription Fees>	£	-	£	-	£	-	£	-	£	-	£	-	£
<General Fundraising>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Grant 1>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Grant 2>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Grant 3>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Donations>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Bank Interest>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Blank>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Blank>	£	-	£	-	£	-	£	-	£	-	£	-	£
Total Income	£	-	£	-	£	-	£	-	£	-	£	-	£
Expenditure:													
<Staff>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Employers NI>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Rent/Floor hire>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Equipment>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Utilities>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Insurance>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Staff Voluntary expenses>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Council costs>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Marketing and Comms>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Training>	£	-	£	-	£	-	£	-	£	-	£	-	£
<Blank>	£	-	£	-	£	-	£	-	£	-	£	-	£
Total Expenditure	£	-	£	-	£	-	£	-	£	-	£	-	£
Surplus/deficit:	£	-	£	-	£	-	£	-	£	-	£	-	£

2. Enter key data for each month. This includes each month's income from all corporate sponsorship and all expected expenditure. To predict income and expenditure, we suggest looking at what you raised and spent in your previous year. If it's your first year, you'll need to estimate. You may also want to consider building in extra expenditure to cover unexpected costs.

Cash Flow Statement - Template			
For the year ended	31/03/2018		
Name of Organisation:	AB youth		
Balance brought forward:	£ 10,000.00		
	1	2	3
Starting balance:	£ 10,000.00		
Income:			
<Corporate sponsorship>	£ -	£ -	£ -
<Membership/ subscription Fees>	£ 200.00	£ 200.00	£ 200.00
<General Fundraising>	£ -	£ -	£ -
<Grant 1>	£ 2,500.00	£ -	£ -
<Grant 2>	£ 3,000.00	£ -	£ -
<Grant 3>	£ -	£ -	£ -
<Donations>	£ -	£ -	£ -
<Bank Interest>	£ 150.00	£ -	£ -
	£ -	£ -	£ -
	£ -	£ -	£ -
Total Income	£ 15,850.00	£ 200.00	£ 200.00
Expenditure:			
<Staff>	£ 200.00	£ 200.00	£ 200.00
<Employers NI>	£ 20.00	£ 20.00	£ 20.00
<Rent/Room hire>	£ -	£ -	£ -
<Equipment>	£ 3,000.00	£ 2,000.00	£ -
<Utilities>	£ -	£ -	£ -
<Insurance>	£ 300.00	£ -	£ -
<Staff/ Voluntary expenses>	£ 50.00	£ 50.00	£ 50.00
<Council costs>	£ -	£ -	£ -
<Marketing and Comms>	£ -	£ -	£ -
<Training>	£ 30.00	£ 30.00	£ 30.00
	£ -	£ -	£ -
Total Expenditure	£ 3,600.00	£ 2,300.00	£ 300.00
Surplus/deficit:	£ 12,250.00	-£ 2,100.00	-£ 100.00

3. Once you've entered all expected income and expenditure, total your expected income and subtract your planned expenditure for each month. This will show you where you may spend more money than you take in on a month and plan for any shortfalls.

<Grant 1>	£ 2,500.00	£ -	£ -
<Grant 2>	£ 3,000.00	£ -	£ -
<Grant 3>	£ -	£ -	£ -
<Donations>	£ -	£ -	£ -
<Bank Interest>	£ 150.00	£ -	£ -
	£ -	£ -	£ -
	£ -	£ -	£ -
Total Income	£ 15,850.00	£ 200.00	£ 200.00
Expenditure:			
<Staff>	£ 200.00	£ 200.00	£ 200.00
<Employers NI>	£ 20.00	£ 20.00	£ 20.00
<Rent/Room hire>	£ -	£ -	£ -
<Equipment>	£ 3,000.00	£ 2,000.00	£ -
<Utilities>	£ -	£ -	£ -
<Insurance>	£ 300.00	£ -	£ -
<Staff/ Voluntary expenses>	£ 50.00	£ 50.00	£ 50.00
<Council costs>	£ -	£ -	£ -
<Marketing and Comms>	£ -	£ -	£ -
<Training>	£ 30.00	£ 30.00	£ 30.00
	£ -	£ -	£ -
Total Expenditure	£ 3,600.00	£ 2,300.00	£ 300.00
Surplus/deficit:	£ 12,250.00	-£ 2,100.00	-£ 100.00

4. On a regular basis the treasurer should bring the group's cashflow forecast to the committee. This will give everyone an opportunity to review the predicted financial situation and plan for any possible shortfalls

Useful Template:

Cashflow template and example

Predicting Financial Needs: Budgets

While a cashflow forecast shows where your income will come from and how it will be spent each month, your budget shows the total of how much you plan to spend and how much income you need.


At the start the numbers in your budget may just be estimates. That's ok – you can update your budget when you know more.

Template Budget for Small Voluntary and Community Groups

Your Group name: _____

Budget type - Organisation/Project: _____

Date: _____



Income	Year	Year	Actual	Year 2017 - Variance
<Corporate sponsorship>	£	-	-	£
<Membership/ subscription Fees>	£	-	-	£
<General Fundraising>	£	-	-	£
<Grants>	£	-	-	£
<Grants>	£	-	-	£
<Grants>	£	-	-	£
<Donations>	£	-	-	£
<Bank Interest>	£	-	-	£
<Blank>	£	-	-	£
<Blank>	£	-	-	£
<Blank>	£	-	-	£
Total Income	£	-	-	£
Expenditure				
<Staff>	£	-	-	£
<Employers' NI>	£	-	-	£
<Pension fees>	£	-	-	£
<Equipment>	£	-	-	£
<Utilities>	£	-	-	£
<Insurance>	£	-	-	£
<Staff (Voluntary expenses)>	£	-	-	£
<Council fees>	£	-	-	£
<Marketing and Commo>	£	-	-	£
<Training>	£	-	-	£
<Blank>	£	-	-	£
<Blank>	£	-	-	£
<Blank>	£	-	-	£
Total Expenditure	£	-	-	£
Surplus/shortfall				
Total surplus/shortfall	£	-	-	£

Notes:

Budgeting step by step

Creating a budget is relatively simple:

1. Income. List all your expected sources of income. This should include grants, donations, fees and any other sources of money. Add all your income together.

Budget type - Organisation/Project:	
Date:	
Income	Year
<Corporate sponsorship>	£ -
<Membership/ subscription Fees>	£ -
<General Fundraising>	£ -
<Grants>	£ -
<Grants>	£ -
<Grants>	£ -
<Donations>	£ -
<Bank Interest>	£ -
<Blank>	£ -
<Blank>	£ -
<Blank>	£ -
Total Income	£ -

2. Expenditure. List all your costs. Add all your costs together.

Expenditure	Year
<Staff>	£ -
<Employers NI>	£ -
<Rent/Room hire>	£ -
<Equipment>	£ -
<Utilities>	£ -
<Insurance>	£ -
<Staff / Voluntary expenses>	£ -
<Council costs>	£ -
<Marketing and Comms>	£ -
<Training>	£ -
<Blank>	£ -
<Blank>	£ -
<Blank>	£ -
<Blank>	£ -
Total Expenditure	£ -

3. Surplus or Shortfall. Subtract total costs from total income. If this is a positive number, you have a surplus (extra money). If the resulting number is less than zero, you have a shortfall (not enough money to cover your costs). You need to either reduce your spending or increase your income.

Your Group name:			
Budget type – Organisation/Project:			
Date:			
Income	Year 2017	Year 2017 Actual	
<Corporate sponsorship>	£ -	£ -	
<Membership/ subscription Fees>	£ 3,450.00	£ 3,450.00	
<General Fundraising>	£ -	£ -	
<Grant 1>	£ 5,000.00	£ 5,000.00	
<Grant 2>	£ 3,000.00	£ 2,850.00	
<Grant 3>	£ -	£ -	
<Donations>	£ -	£ -	
<Bank Interest>	£ 150.00	£ 145.50	
<Blank>	£ -	£ -	
<Blank>	£ -	£ -	
<Blank>	£ -	£ -	
Total Income	£ 11,600.00	£ 11,445.50	
Expenditure	Year 2017	Year 2017 Actual	
<Staff>	£ 2,400.00	£ 2,400.00	
<Employers NI>	£ 240.00	£ 240.00	
<Rent/Room hire>	£ -	£ -	
<Equipment>	£ 5,000.00	£ 5,000.00	
<Utilities>	£ -	£ -	
<Insurance>	£ 300.00	£ 330.00	
<Staff/ Voluntary expenses>	£ 600.00	£ 600.00	
<Council costs>	£ -	£ -	
<Marketing and Comms>	£ -	£ -	
<Training>	£ 360.00	£ 300.00	
<Blank>	£ -	£ -	
<Blank>	£ -	£ -	
<Blank>	£ -	£ -	
<Blank>	£ -	£ -	
Total Expenditure	£ 8,900.00	£ 8,870.00	
Surplus/shortfall			
Total surplus/shortfall	£ 2,700.00	£ 2,575.50	
Notes:			
Reduced interest - received from savings account.			
Grant 2 - awarded less than requested in application			
Training budget - reduced as one less person attended			

This sort of budget is very useful in seeing whether you might have the funding you need to carry out your planned work

If your group receives cash income from your members or other sources this should be recorded and banked as soon as possible. [View the cash flow for Recording Cash Income](#)

Useful Template:

Budget template and example

3. Money Recording (Bookkeeping)

All groups should keep their financial records for at least six years.

For a small group we recommend keeping all financial information in a single folder. The folder should have dividers to create sections as listed below. You should create a single folder per financial year.

Contents you must keep in your folder are as follows:

- Cashbook details
- Bank statements
- Bank reconciliation
- Evidence of expenditure (invoices, receipts, bills paid etc.)
- Evidence of income (members subscription, donation receipts, grants etc.)
- Assets register
- End of year accounts and annual report

You may also want to include the following:

- Minutes of management committee meetings for the year
- Budgets and cash flow projections

The rest of this guide tells you how to set up these key financial management documents.

Bank Reconciliation

Bank reconciliation is the process of ensuring that your bank statements and cashbook agree. Reconciling these two documents is essential to correcting any mistakes. You should carry out reconciliations monthly.

To help catch errors and guard against fraud, the same person who fills out the cashbook should not carry out bank reconciliation.

The example illustrates the step-by-step guide below.

Step 1: Cross-reference your cashbook against your bank statement. Tick off all the items that are in your cashbook that have been paid in or paid out.

Step 2: Look at your bank statement and check against the cashbook for any bank charges, direct debits, receipts of income, bank interest these need to be added into the cashbook.

The image shows a screenshot of the RBS Bankline interface on the left and a reconciliation table on the right. The Bankline interface displays account details for 'Crabtree name' and lists transactions with columns for Date, Reference, Type, Debit, and Credit. Some transactions are highlighted in yellow. The reconciliation table on the right is a grid with columns for 'MONEY IN' (Opening Balance, Tick, Total, Grant, Donations, Merchant Sales, Fundraising (Staffs), Bank Interest, Fees, Bank, Misc) and 'MONEY OUT' (Date, Details). It shows monthly totals from March 2017 to July 2017.

Step 3: Using a bank reconciliation form, record any outstanding cheques not cashed or payments which have not yet processed.

The image shows a screenshot of a 'Bank Reconciliation' form. It includes fields for 'XYZ to 31/03/18', 'at the March 2017', and 'Balance per Cashbook'. There are sections for 'Add Receipts not yet cleared' and 'Deduct Payments not cleared', each with a table for 'Details' containing columns for Date, Ref, and Amount. The form also shows 'Reconciled Bank Balance c/f at 31/03/17' and a footer with navigation buttons like 'Patty Cash', 'Patty Cash Summary', 'Cashbook', and 'BankRec'.

Step 4: Add any income that may have been banked but is not showing in the bank statement yet to the bank reconciliation form.

Step 5: On the bank reconciliation form, subtract outstanding cheques and add income which has not yet been banked from the balance showing on your bank statement.

XYZ to 31/03/18			
Bank Reconciliation			
At 31st March 2017			
Balance per Cashbook			
01/04/2017	Balance Brought Forward		£ -
	Total Receipts		£ -
	Total Payments		£ -
Cash Book Balance			£ -
Balance per Bank Statement			
Bank statement balance at 31/03/2013			£ -
			Cleared Bank on Date
Add Receipts not yet cleared			
Details	Date	Ref	Amount
			£ -
			£ -
			£ -
			Total
Deduct Payments not cleared			
Details	Date	Ref	Amount
			£ -
			£ -
			£ -
			Total
Reconciled Bank Balance C/F at 31/03/17			£ -

Step 6: The total showing on your bank reconciliation form should now match the total in your cashbook. If they do not, then the figures need to be rechecked.

Trouble-shooting

Bank statement balance at 31/03/2013			£ -	Cleared Bank on Date
Add Receipts not yet cleared				
Details	Date	Ref	Amount	
			£ -	
			£ -	
			£ -	
			Total	-
Deduct Payments not cleared				
Details	Date	Ref	Amount	
			£ -	
			£ -	
			£ -	
			Total	£ -
Reconciled Bank Balance C/F at 31/03/17			£ -	
Difference			£ -	

Common reasons that your bank statement and cashbook may not agree include:

- Cheques that your group has written, and which have not yet cleared.
- Money, you pay into your bank will sometimes not appear on your bank statement if it has not cleared through the banking system by the statement date.
- Likewise, sometimes if you make a purchase or record a payment near the end of the month, it will not show up until the next bank statement.

- Unexpected bank charges and credits are easily missed when keeping your cashbook up to date.

Petty Cash

A petty cash system isn't required for all group's, but you may want to set one up if your group deals with many small purchases or payments.

We recommend having no more than £20 - £50 available in petty cash at any one time. You'll also need a petty cash book to track petty cash expenditure.

How to track petty cash

The most common type of petty cash system is called the imprest system. This system involves having a fixed amount available in petty cash – between £20 and £50. This available cash is called the 'float'.

The imprest system is generally only used to purchase items for £10 or less.

The process of managing petty cash:

1. If a person needs petty cash, a petty cash voucher should be completed and placed in the petty cash box when the petty cash is given out. The voucher details who has the money and what they will be purchasing. After the petty cash is spent, any change and the receipt should be returned to the box and the voucher removed.
2. If a person has bought items for the group and wants reimbursement they should provide a receipt. Money can then be paid to them from the petty cash.
3. If not already provided, the person spending the money should provide a receipt to show the money was spent as agreed.
4. Petty cash vouchers are kept in the petty cash section of your financial records. The total of the remaining cash plus the vouchers at any point in time should always be equal to the original float.
5. Once the petty cash float needs to be topped up withdraw the amount spent from your account. For example, if you had £50.00 and spent £48.50 you would only withdraw £48.50 so that the petty cash goes back to £50.00.

Useful Template:

Petty Cash Template and Example

What does your charity need to prepare?

The type of accounts and report which a charity must prepare depends on:

- Its legal structure (**See factsheet**)
- Its income

	Notes	Unrestricted	Restricted	Total
		£	£	£
RECEIPTS				
Grants	2	£ -	£ 8,000.00	£ 8,000.00
Donations		£ -	£ -	£ -
Membership/Subscriptions		£ 3,450.00	£ -	£ 3,450.00
Fundraising	3	£ -	£ -	£ -
Miscellaneous		£ 150.00	£ -	£ 150.00
Total Receipts		£ 3,600.00	£ 8,000.00	£ 11,600.00

- The value of its assets

Name of Organisation		AB Youth	
STATEMENT OF ASSETS AND LIABILITIES			
Accounting year		31 March 218	
		2018	2017
		£	£
ASSETS			
Cash at Bank		£ 12,650.00	£ 9,900.00
Cash in Hand		£ 50.00	£ 100.00
		£ 12,700.00	£ 10,000.00
CREDITORS: due within one year			
Deferred Income (Grant)		-	-
Net Assets		£ 12,700.00	£ 10,000.00
These accounts were approved by the Trustees on:			
Trustee:			
John Smith			
Trustee:			

All Charities

Every charity, even if it is not required to register with the Charity Commission, must keep accounting records (these include cash books, receipts, records of grants, etc.) and prepare annual accounts. All charities must also prepare a trustees' annual report, detailing your work for the year.

Irrespective of your legal obligations, your charity's constitution or other governing document may also require you to send the annual accounts and a trustees' annual report to members and approve them at an Annual General Meeting (AGM). It is certainly good practice to do so even if you are not required to by law.

Annual accounts will be subject to either an audit or an Independent Examination (IE).

Please see table below for the reporting requirements of charities.

CHARITIES REPORTING REQUIREMENT

Charity annual income	Reporting requirements			
	Annual report	Accounts format	Accounts scrutiny	
£5,000 +	Charities must register with the Charity Commission and notify the Commission of any changes in details.	No accounts must be submitted, but accounts must be prepared and made available upon request. Accounts may be prepared on a receipts and payments or accruals basis, and no external scrutiny is required.		
£10,000 +	Charities must submit an Annual Return.			
£25,000 +	Charities must also submit a Trustees' Annual Report.	Accounts must be submitted, prepared on a receipts and payments or accruals basis.	Charities must submit a set of annual accounts which is independently examined.	Independent examination may be undertaken by anyone who trustees deem suitable.
£250,000 +		Accounts must be prepared and submitted on an accruals basis, in accordance with Charities SORP.		Independent examination must be carried out by an individual belonging to body specified in 1993 Act.
£500,000 +	Charities must also submit an additional section of the Annual Return, in accordance with Charities SORP.		Charities must submit a fully audited set of annual accounts.*	
£1,000,000 +	Charities must also submit a Summary Information Return (SIR) which provides details of organisational aims, achievements and factors that have affected performance.			

*This also applies to charities with an annual income of >£250k and assets worth >£3.26m

All CIOs must register with the Charity Commission, irrespective of income, and they all must submit an annual return. Details of reporting requirements are on the next page.

Accounting Thresholds Checklist

Charitable Incorporated Organisation (CIO)				
Gross Income of Organisation	Minimum requirements for format of accounts	Trustee annual report and accounts filed with CC	Annual return filed with CC	Minimum External Scrutiny*
< £25,000	Receipts and Payments	√	√	×
£25,000 - < £250,000	Receipts and Payments	√	√	IE
£250,000 - < £1M (& total assets <£3.26M)	Accruals accounts SORP compliant	√	√	IE - by member of specified Body
£250,000 - < £1M (& total assets > £3.26M)	Accruals accounts SORP compliant	√**	√	Audit
£1M+	Accruals accounts SORP compliant	√**	√	Audit

* unless required by governing document.

** additional disclosures are required

Company Limited by Guarantee (Ltd)				
Gross Income of Organisation	Minimum requirements for format of accounts	Trustee annual report and accounts filed with CC	Annual return filed with CC	Minimum External Scrutiny*
< £10,000	Accruals accounts SORP compliant	√	√	×
£10,000 - < £25,000	Accruals accounts SORP compliant	√	√	IE
£25,000 - < £250,000	Accruals accounts SORP compliant	√	√	IE - by member of specified Body
£250,000 - < £1M (& total assets < £3.26M)	Accruals accounts SORP compliant	√**	√	Audit
£250,000 - < £1M (& total assets > £3.26M)	Accruals accounts SORP compliant	√		
£1M+	Accruals accounts SORP compliant	√**	√	Audit

MANAGEMENT ACCOUNTING

Charities produce management accounts to use within the organisation in making timely and meaningful management decisions. Management accounts are a tool for monitoring performance internally and therefore fulfil a different role from financial accounts which are produced for scrutiny by funders and Companies House/Charity Commission.

Management accounts are usually produced monthly or quarterly and analyse performance and show forward projections of income, expenditure, cash flow and etc along with comparison of performance against initial budgets and earlier forecasts. Types of analysis will vary but can include information about income, expenditure etc.

Tips and suggestions:

- Keep accurate records and review your finances regularly
- Understand the costs of delivering the service
- Don't leave it all to an external person
- Be careful not to over-estimate; understand the basis of any estimated figures
- Remember the value of in-kind contribution