

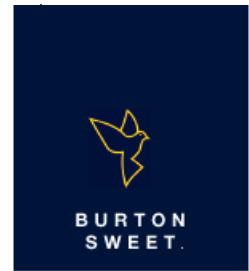
# Accounting and Reporting Update

Ed Marsh



CHARTERED ACCOUNTANTS  
& BUSINESS ADVISERS

# Relevant recent changes



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## ● Registration

- Previously 'excepted' charities now required to register with the Charity Commission;
- Over £100,000 income? – now!
- Baptist churches – registration exercise to be complete by 1 October 2009.
- The rest will have to follow soon...

# New challenges?



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- Information publicly available (and for free)
- Accountability failures highlighted
  - Filing within 10 months of year end
- No longer exempt from preparing a Trustees' Annual report

# Distinctives of Charity reporting



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- Which church achieved more?
  - Church 1: Tithes and offerings of £100,000; expenditure on church activities of £90,000;
  - Church 2: Tithes and offerings of £100,000; expenditure on church activities of £100,000.
- Numbers are not enough!
- “We leave the accounts stuff to the Treasurer”

# Trustees' Report under SORP 2005



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- In short, the trustees' annual report...
  - Explains what the charity is trying to do and how it is going about it;
  - States whether the charity has achieved its objectives in the year;
  - Explains the charity's governance and management structure.

# Annual report structure



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1. Reference and Administrative details
2. Structure, Governance and Management
3. Objectives and Activities
4. Achievements and Performance
5. Financial Review
6. (Plans for future periods)
7. Funds held as custodian for others

NB These are the SORP's suggested headings

# Reference and Administrative Details



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- Charity name and 'working' names;
- Charity registration number (and company number, if applicable)
- Principal address
- Trustees' names who served during and after the year (max of 50 names!)
- Names of any custodian trustees acting for the charity

# Structure, Governance and Management



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- Type and date of governing document (or last revision)
- How trustees are recruited and appointed

# Objectives and Activities



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- Summary of the objects of the charity set out in its governing document;

E.g. “to advance the Christian faith...”

# Objectives and Activities



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- Summary of main activities undertaken for the public benefit in relation to those objects.

Examples of activities:

- Global Partnership (overseas mission);
- City and Community Outreach (local care for the poor and evangelism);
- Gathered Church (services, events, groups etc);
- Children and Youth;
- Student ministry;
- Pastoral Care;
- Teaching and Discipleship (e.g. Alpha, Bible study notes).

# Objectives and Activities



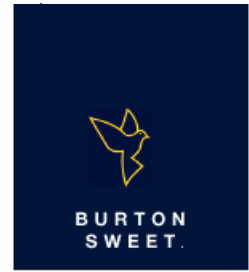
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- Public Benefit
  - All trustees required by law to have regard to CC's guidance on Public Benefit and say so in their report;
  - Report on Public Benefit in Annual report

Recommended approach – address the key PB principles in the guidance:

1. What were the benefits?
2. Who was able to benefit?

# Objectives and Activities



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- What were the benefits?

E.g.

“Our three Parent and Toddler groups offer friendship and opportunities to support and share in the challenges of parenting. These events also provide a helpful stepping stone into getting involved in church life and in coming to faith in Jesus”

- Who was able to benefit?

E.g.

“The church offers a range of services during the week that are open to all members of the public and which many people of different ages and backgrounds and with different preferences find beneficial and fulfilling. A few examples are:...”

# Achievements and Performance



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- Summary of the main achievements of the charity during the year resulting from activities

E.g.

- “Our morning services were attended by around 400 adults and 150 children”
- “We instigated once a month slots in our morning service to share news of particular global partners, to pray for them and to take an offering for their work. These offerings raised £15,816 in the period”
- “Our church delivered around 3,000 community newsletters in the neighbourhood during the year. These contained articles and real-life stories to help demonstrate that the Christian faith is exciting, life-changing and available to all”.

# Financial Review



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- Reserves policy (i.e. target level of reserves)

# Reserves policy



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- What are reserves?
  - “...that part of a charity’s income funds that is freely available” (SORP 2005)
  - “Free reserves”
  - Excludes:
    - Any endowment funds
    - Restricted funds
    - Unrestricted funds not readily available:
      - Tied up in Fixed assets
      - Designated (‘earmarked’) funds

# Why hold reserves?



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- Future uncertainties
  - Absorb setbacks
  - Take advantage of change and opportunity
- Problem to overcome: Public Perception
- Clear policy needed



# Reporting of Reserves



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- Describe policy (or state that you don't have one)  
E.g. *“Between 3 to 6 months of annual expenditure”*
- Explain why the charity does or doesn't hold reserves
- Amount, purpose and timing of designated funds
- State level of reserves at end of the financial period (and actions to correct, if applicable)
- Explain any funds in deficit (did you plan it?) and actions to correct.

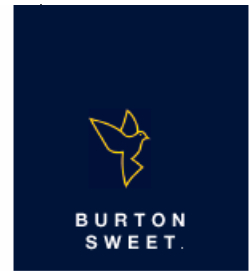
# Reporting of Reserves



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- Important to note:
  - No recommended / required level
  - High levels of reserves may be needed;
  - Nil reserves appropriate in some cases;
  - But... no justification for not explaining it!

# Relevant recent changes



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- The lower threshold for filing and for Independent Examination now raised to income of £25k from £10k;
- Audit threshold now at £500k income (used to be £250k).
- Independent Examiner must be professionally qualified if income between £250k and £500k.
- Threshold for accruals accounting for non-company charities raised from income of £100k to £250k.

# Accruals basis



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- Must follow the Charities 'Statement of Recommended Practice';
- Always consist of:
  - Statement of Financial Activities;
  - Balance sheet;
  - Detailed notes and disclosures;
  - Trustees' Annual report
- Expected to show 'a true and fair view'.

# Receipts and Payments basis



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- No statutory format
- Usually consist of:
  - Receipts and Payments Account
    - records cash movements only
  - Statement of assets and liabilities
  - Trustees Annual report still required
- Not expected to show 'a true and fair view'.

# An easy choice?



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- A few things to think about...
  - Quality of preparation;
  - Timing of cash flows (a true and fair view?);
  - Accounting for different funds.

What do you think?

# Questions?

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