

Buzzacott

Accounts for non- accountants

13 October 2022

Agenda

- Virtual housekeeping: Shachi Blakemore, Partner
- An overview of the key requirements of the SORP: Shachi Blakemore, Partner
- The Trustees' Report: Gumayel Miah, Director
- Judgemental areas: Catherine Biscoe, Partner
- Q&A: Chaired by Shachi Blakemore, Partner
- Close

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An overview of the key requirements of the charities SORP 2015

Shachi Blakemore, Partner

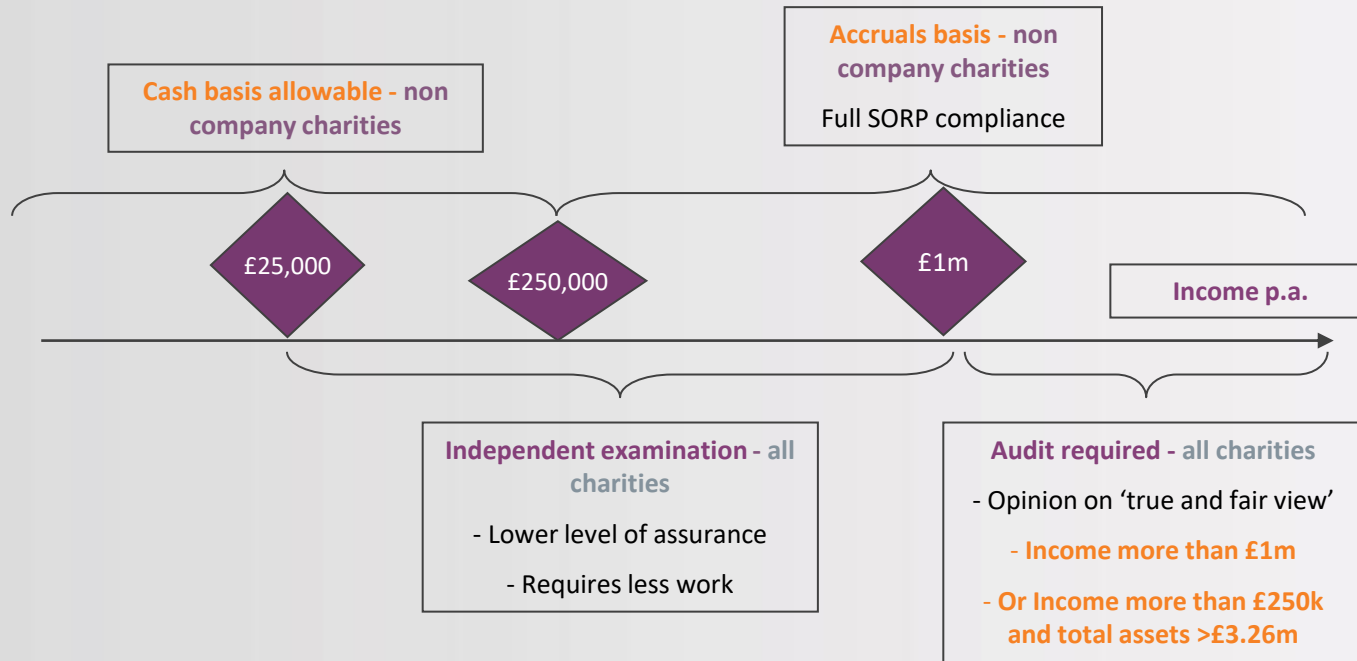
Introduction – What is the SORP?

- Statement Of Recommended Practice ('SORP') – issued by the Charity Commission (and OSCR)
- Set of rules and detailed guidance that applies UK accounting rules and laws
- Filing deadline for accounts – after the year end date:
 - 9 months – Companies House and OSCR
 - 10 months – Charities Commission

Compliance with SORP

- **Required** – to meet the legal requirement to give a “true and fair” view
- Exception are charities that can prepare accounts on cash basis
 - Unincorporated charities e.g., Trusts/Foundations – with income of more than £250k

Accounts' and examination thresholds



Structure of annual report and accounts

- Reference & administrative information
- Trustees' annual report
- Auditor's report/independent examiner's report
- Statement of financial activities – 'SOFA' (= income & expenditure)
- Balance sheet – resources/funds available at the end of the year
- Cash flow statement (= a summary of cash in and out)
- Accounting policies – basis on which accounts are prepared
- Notes to the accounts – more detail in relation to key figures

Statement of Financial Activities (SOFA)

- Summary of income and expenditure
- Includes the results of subsidiaries (e.g. trading companies)

Company profit and loss account – example layout

	2019 £	2019 £
Income	1,700,000	
Cost of sales	(1,500,000)	
Gross profit		200,000
Administrative costs		(50,000)
Other operating income		5,000
Operating profit		155,000
Interest received		1,000
Profit for the year before taxation		156,000
Taxation		(40,000)
Profit for the year after taxation		116,000

SOFA – example layout

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2015 Total funds £	2014 Total funds £
Income and expenditure						
Income and endowments from:						
. Donations and legacies	1	1,000	5,000	5,000	11,000	5,000
. Other trading activities	2	5,000	-	-	5,000	10,000
Charitable activities	3	-	25,000		25,000	5,000
Total income		6,000	30,000	5,000	41,000	20,000
Expenditure on:						
Raising funds	4	4,000			4,000	5,000
Charitable activities						
. Adult provision	5		5,000	5,000	10,000	5,000
. Youth provision	6	5,000	10,000		15,000	15,000
Total expenditure		9,000	15,000	5,000	29,000	25,000
Net movement in funds (net (expenditure) income)	7	(3,000)	15,000	-	12,000	(5,000)
Balances brought forward						
at 1 January 2015		10,000	15,000	15,000	40,000	30,000
Balances carried forward						
at 31 December 2015		7,000	30,000	15,000	52,000	25,000

SOFA - fund accounting

Columnar format of the SOFA to reflect different funds:

	Notes	Unrestricted funds £
Income and expenditure		
Income and endowments from:		
. Donations and legacies	1	1,000
. Other trading activities	2	5,000
Charitable activities	3	-
Total income		6,000
Expenditure on:		
Raising funds	4	4,000
Charitable activities		
. Adult provision	5	
. Youth provision	6	5,000
Total expenditure		9,000
Net movement in funds (net (expenditure) income)	7	(3,000)
Balances brought forward at 1 January 2015		10,00
Balances carried forward at 31 December 2015		7,000

Unrestricted funds

- Can be used by the trustees for any purpose (within the charity's objects).
- May be **designated** by trustees = 'ring fenced' for specific purposes.

SOFA - fund accounting

Columnar format of the SOFA to reflect different funds:

	Notes	Unrestricted funds £	Restricted funds £
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Income and endowments from:			
. Donations and legacies	1	1,000	5,000
. Other trading activities	2	5,000	-
Charitable activities	3	-	25,000
Total income		6,000	30,000
Expenditure on:			
Raising funds	4	4,000	
Charitable activities			
. Adult provision	5		5,000
. Youth provision	6	5,000	10,000
Total expenditure		9,000	15,000
Net movement in funds (net (expenditure) income)	7	(3,000)	15,000
Balances brought forward at 1 January 2015		10,000	15,000
Balances carried forward at 31 December 2015		7,000	30,000

Restricted funds

- Can only be used in accordance with donor instructions i.e. restricted use.
- **Permission** from funder needed if want to spend funds for other purposes.

SOFA - fund accounting

Columnar format of the SOFA to reflect different funds:

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £
Income and expenditure				
Income and endowments from:				
. Donations and legacies	1	1,000	5,000	5,000
. Other trading activities	2	5,000	-	-
Charitable activities	3	-	25,000	
Total income		6,000	30,000	5,000
Expenditure on:				
Raising funds	4	4,000		
Charitable activities				
. Adult provision	5		5,000	-
. Youth provision	6	5,000	10,000	
Total expenditure		9,000	15,000	-
Net movement in funds (net (expenditure) income)	7	(3,000)	15,000	5,000
Balances brought forward at 1 January		10,00	15,000	5,000
Balances carried forward at 31 December 2015		7,000	30,000	5,000

Endowment funds

- Donated to be used as capital and cannot **generally** be expensed.
- Two types:
 - Permanent
 - Expendable

Statement of Financial Activities - format

Income from:

- Donations and legacies
- Other trading activities
- Investment income



Expenditure on:

- Raising funds:
 - Fundraising costs
 - Trading: cost of goods sold and other costs
 - Investment management costs

Charitable activities

- X
- Y
- Z



Charitable activities

- X
- Y
- Z

Other income



Other expenditure

TOTAL INCOME

TOTAL EXPENDITURE

Statement of Financial Activities - headings

Income

- **Donations and legacies** e.g. donations, gifts in kind, core grants (general)
- **Other trading activities** e.g. trading company income, lettings of surplus space, sponsorships for publicity, fundraising events
- **Investment income** e.g. bank interest, dividends



Expenditure on

- **Raising funds:**
 - Fundraising costs
 - Trading costs
 - Investment management costs



Statement of Financial Activities - headings

Income

- Charitable activities
 - PRIMARY PURPOSE
 - By defined charitable activities
- Payment for goods/services provided to beneficiaries (e.g. care home fees, school tuition fees)
- Contracts and performance related grants
- Restricted project grants



Resources expended

- Charitable activities
 - Includes DIRECT COSTS, GRANT MAKING COSTS, SUPPORT COSTS
 - e.g. staff costs, cost of distributed aid, outgoing grants, overheads



Expenditure (accruals basis)

Recognition of expenditure – basic rules

- obligation exists (legal and constructive)
- probable
- measurable

ALL 3 criteria need to be met

Example: legal claims

Income (accruals basis)

Recognition of incoming resources – basic rules

- Entitlement
- Level of certainty – probable
- Measurement

ALL 3 need to be met

- Example:
 - Unconditional vs. conditional grant

Balance sheet – assets

Fixed assets

- Tangible assets
 - Property, computer equipment, furniture
 - use over a number of years
 - Spread the cost over the years (DEPRECIATION)
 - Valuation
- Investments
 - Held to generate financial resources for the charity
 - Shares, bonds etc. – at market value for listed investments



Current assets

- Part of working capital
 - Stock (e.g. publications, trading goods)
 - Debtors
 - Cash at bank and in hand



Balance sheet - liabilities

- Creditors
 - Amounts falling due within one year (e.g., trade creditors, accruals, bank overdraft, income received in advance)
- Creditors
 - Amounts falling due after more than one year (e.g., long term bank loans)
- Pension scheme liability – defined benefit pension schemes
 - e.g., LGPS

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The Trustees' Report

Gumayel Miah, Director

The purpose of trustees' report

Core purpose

- Helps ensure accountability
 - Spotlight on charity governance and the quality of trusteeship
 - “No such thing as a private charity”
 - Shows the charity is being organised and managed properly
 - Demonstrates funds are being used wisely and for the stated purpose
- Satisfies the “public benefit” reporting requirement

Connected benefits

- Showcase the charity's impact
- Help raise awareness of your charitable cause and key challenges
- Gives context to the financial statements
- Helps attract new resources:
 - Funders
 - Employees
 - Volunteers (including trustees)

Who is your audience?

- Regulators
- Supporters (past and future)
- Other charities
- Beneficiaries and service users
- Employees and volunteers (including future trustees)
- Suppliers and service providers
- Journalists
- HMRC

What to include in the trustee's report?

Mandatory content

- Objectives and activities
- Achievements and performance
- Financial review
- Plans for future periods
- Structure, governance and management
- Reference and administrative information
- (Details of) funds held as custodian trustee on behalf of others (where applicable)

Other points to consider

- Ordering?
- Executive summary? (Chair's Report or Chief Exec's Report or both)
- Length?
- Infographics, photos, charts, case studies and quotes

Objectives and activities

- Scene setting: history, vision, mission, and values
- Strategic aims and objectives
- Core charitable activities undertaken
 - Demonstrates / articulates the public benefit
 - Does this link to how the financial statements are presented?
- Criteria for assessing success
- Key policies (as applicable)
 - Grant-making
 - Safeguarding
 - Diversity and inclusion
 - ESG

Objectives and activities (continued)



OUR VISION

Our vision is for a UK without the need for food banks.

We support a nationwide network of food banks to provide emergency support to people locked in severe poverty and work collaboratively with our network and other partners to create the change needed to build a future where all of us have enough money for the essentials.

OUR VALUES

Our values are:



Compassion:
We're motivated to stand alongside people in crisis and provide support and care for individuals.



Justice:
We are driven by the fact that it is not right that somebody should experience hunger or poverty, and we take action to change this.



Community:
As people, we are all interconnected, and because of this we have a responsibility to support one another.



Dignity:
We recognise the value of every individual, prioritising other people's needs and concerns in the spirit of friendship.

OUR STRATEGIC PRIORITIES

We are working to end the need for food banks in the UK in three key ways:

- 1. Changing Communities**
 We're helping unlock even more of the potential of food banks to become places where the underlying drivers of severe poverty are addressed, and supporting food banks to develop strategies to reduce the need for emergency food locally.
- 2. Changing Policy**
 Government decisions can have a huge impact on people in poverty. We use evidence gathered through our network of food banks to drive policy change that will make sure we're helping shape a future where no one needs to use a food bank.
- 3. Changing Minds**
 Lasting change happens when wider society thinks and acts differently about an issue, so we're building understanding and empathy about the drivers of food bank use and calling people to take action.

OUR STRATEGIC APPROACHES

At the Trussell Trust, we believe we can best deliver change by how we work, as well as what we do. To help guide how we work, we've identified four strategic approaches, which underpin our behaviours. These are:



Service:
we serve the work of the food banks in our network, listening attentively and seeking the good of our shared mission, rather than our own agenda.



Expertise:
we work to be the very best we can be in the areas where others rely on us to be expert.



Collaboration:
we seek, wherever possible, to collaborate with others – most especially with people who have direct experience of living in poverty.



Transparency:
we are clear and open with information and plans, acknowledge where things haven't gone right, and demonstrate integrity and authenticity.

Achievements and performance

- Summary of achievements against objectives
- Fair and balanced account of successes and things that didn't go to plan
- What's the best way to tell your story
 - What difference has your charity's work made to its beneficiaries?
 - Infographics, photos, charts, case studies and quotes

Achievements and performance (continued)

MOHSEN'S STORY

Mohsen came to the UK alone, in February last year, having fled South Sudan at the age of 15. He now takes English lessons at the Centre with Jenny, who teaches refugee and asylum-seeking teenagers under the care of Westminster Council.

"Before I reached the UK, I was in the Calais camp for three months – it was a horrible time." Arriving in London just before the Covid-19 lockdown was also difficult: "People I met in France were sent to other cities, like Manchester. And they didn't have time even for a phone call."

Mohsen was keen to learn English: "When I arrived I could only say 'yes' and 'no' but I didn't understand any questions and it made me feel alone."

A few months of Jenny's classes made a big difference. He was able to enrol at a local college and make friends. "I study English, Maths, ICT and Digital Skills. My friends at college speak English when we are together. I play football, too; my team has people from different nationalities. So we all speak English, and it's improving my English."

"I've learned a lot at the Centre. For example, the first time I spoke to a doctor; I just said, 'Yes,' to everything. He said to me, 'Your eyes are better?' I said, 'Yes.' He said, 'Do you see well?' I said, 'Yes.' But when I met him again, I said, 'No, I don't see well, and when I'm in class sometimes the light gives me headaches, and I can't see the screen: please can I get glasses?' And he said, 'Yes!'"

Mohsen is keen to learn more: "I want to be able to speak in front of people, like when you present a paper, and this will take time. My goal is to speak proper English and not make a mistake. The journey doesn't stop."

"I study English, Maths, ICT and Digital Skills. My friends at college speak English when we are together. I play football, too; my team has people from different nationalities. So we all speak English, and it's improving my English."

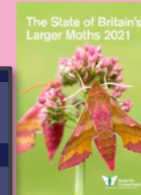


Mohsen and Jenny practising conversations.



Mohsen writing an email with his teacher's help.

Our year in numbers



33%

decline in abundance of larger moths in last 50 years



55,000

people connected with Butterfly Conservation



17

butterfly banks built in Croydon as part of the Brilliant Butterflies project

STATE OF MOTHS
The State of Britain's Larger Moths 2021 received widespread coverage. The report, a partnership with Centre for Ecology and Hydrology and Rothamstead Research, showed a third of our larger moths had declined significantly, especially in southern Britain. We reached over 4.7 million people about the report through newspapers and radio.



55%

increase in use of the iRecord Butterfly app with 5,500 new users



23,766

visits to 4,151 sites since 2001



300

hectares of scrub cleared and put in



5,688

people enjoyed our mindful colouring competition



61

teachers attended Munching Caterpillars webinars

200

dams to restore lowland peat over seven years

Children enjoying their new playground at FMDM St. Francis School in Kasanka, Zambia



In Zambia, FMDM project funding paid for significant developments at St. Francis Community School in Kasanka: building a school dining hall, a kitchen, a school playground, and providing electricity to all the classrooms.

In Zimbabwe, FMDM provided 3 months' supplies of PPE for the staff of Mater Dei Hospital in Bulawayo in addition to donating an X-ray machine and an ultrasound machine to the Hospital.

Achievements and performance (continued)

- Key risks and mitigating actions
- Approach to fundraising

Achievements and performance (continued)

RISK IDENTIFIED	ACTION TAKEN TO MITIGATE THE RISK
EXTERNAL (Environmental): Lack of capacity to meet unprecedented demand	Acceleration of resourcing at all levels and strict prioritisation of which opportunities to pursue. Some re-jigging of responsibilities taking place within the Business Transformation team to overcome individual staff concerns about workload vs capacity. More regular reviews of staff time allocation – reality vs planned – to understand true cost of delivering key projects or initiatives. Comprehensive review of member value proposition underway to meet member demand through centralised services / outputs.
PEOPLE: Staff turnover	UKGBC has appointed a People Manager enabling us to put even more time to people related initiatives including health & wellbeing, training, D&I, team get togethers, socials etc – all of which are crucial components of a People Centric culture. There will be greater focus on career development and succession planning in 2022. Annual staff survey conducted to seek feedback in key areas with results in 2021 being highest they have ever been. Currently work underway to strengthen core values and team working practices. Exit interviews are conducted with all voluntary leavers – analysed for trend reporting. Comprehensive salary benchmarking conducted in Jan 2022 – with proposals to close gaps for significant deviations. LT are all on 3 month notice periods, and CEO on 6 months notice. Key person insurance exists for LT.
EXTERNAL (Economic): Economic downturn & market uncertainty due to war in Ukraine / COVID / other	UKGBC has substantial reserves at year end 2021/22 and significant amounts of deferred income in the bank – all of which offers good protection against external financial shocks. A revised member value proposition has been developed – to be rolled out in Apr 2022, in particular the investment in centralised capacity to conduct research and convene members together across sub-sectors for shared learning and knowledge exchange. Attrition reviewed regularly by CEO, LT and R&A committee – currently the lowest it has ever been. Alternative funding sources (philanthropic, governmental) constantly being sought.
FINANCIAL: Charities being increasingly targeted for Cyber Fraud and breach of data protection	Clear roles and responsibilities in terms of data protection and increased training, security measures (e.g. Multi Factor Authentication, forced password reset, virus scans, geographical restrictions and Mimecast) have been deployed along with several other actions.

Redthread's approach to fundraising

At Redthread we greatly value the support we receive from individuals, organisations, companies and funders, and we take none of this for granted. Redthread is registered with the Fundraising Regulator and abides by the Code of Fundraising Practice. We uphold the four values of the Code of Fundraising Practice; our fundraising is legal, open, honest and respectful.

We will never:

- Sell supporters' data to another organisation
- Share the personal information of supporters with another organisation without the data subject's specific and explicit consent
- Share or sell any personal details to another organisation for their own purposes

We will always:

- Keep supporters' personal information safe and secure
- Listen to our supporters and ensure we communicate with them in the way that they wish
- Treat our supporters and stakeholders fairly, reasonably and with transparency
- Be accountable to our supporters, stakeholders and service-users

Redthread's fundraising is undertaken in-house by a team of fundraising professionals; we do not use third parties to fundraise on our behalf.

Our income comes from a wide variety of sources; however, our typical activities include:

- Requesting money from grant-making trusts or organisations
- Applying for government funding
- Asking for voluntary donations at events, including through bucket collections
- Forming partnerships with community groups, companies and other organisations who choose to support our work in a variety of ways
- Offering opportunities for individual supporters to take part in challenge events or other fundraising events on our behalf
- Advertising the impact of our work on social media, in mainstream print and broadcast media, on our website and through other appropriate channels
- Communicating with our supporters and individuals who have asked to be kept informed about our work
- Approaching individuals who may be interested in our work through professional organisations such as business networks, universities, hospitals, churches, clubs and community groups.

We do not:

- Conduct regular gift, face-to-face fundraising on the street (but we may hold bucket collections and awareness raising events in public places, or at events where we have been invited to do so)
- Canvas door-to-door
- Send out direct marketing mail to people unknown to us
- Contact former service-users or their families regarding fundraising activity, unless they have specifically asked to be contacted.

We have never received any complaints about our fundraising activities and we constantly monitor internally our fundraising processes and activities to ensure they are reasonable.

Financial review

- Comment on financial results for year
 - Link to the achievements section
 - Link to the financial statements
- Discuss:
 - Principal sources of income
 - Key areas of expenditure
 - Investment policy and performance
 - Reserves policy and financial position

HOW YOU GAVE YOUR SUPPORT

As a charity, over 70% of our income comes from our supporters. Our work is only made possible because of the incredible generosity of donors. Statutory funding from Westminster City Council (WCC) also enables us to provide essential services to our clients.

HOW YOU GAVE YOUR HELP

Legacies	£191,000
Donations	£2,217,000
Charity Shop*	–
TOTAL VOLUNTARY INCOME	£2,408,000

OTHER CENTRE INCOME

Statutory Income	£417,000
Earned Income	£635,000
TOTAL INCOME	£3,460,000

OUR DONATIONS

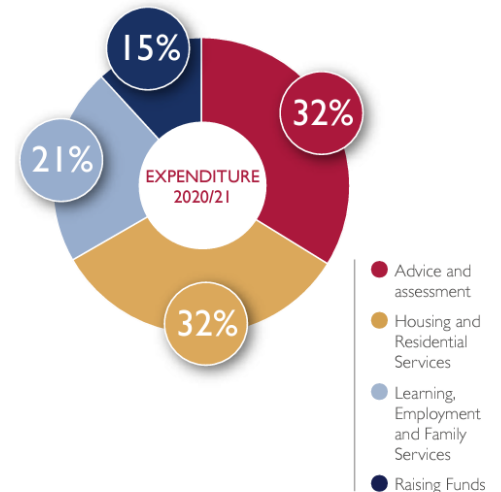


For every £1 donated,

85p is spent on service delivery.

HOW YOUR MONEY IS SPENT

Our expenditure in 2020/21 was £3.2m of which 85% was spent on delivering services. In comparison, NCVO Almanac data tables across the last five years shows charities spend, on average, 70% on charitable activities. The chart below shows where this was spent across our core activities.



*The Charity Shop has been closed all year, owing to Covid-19.

Structure, governance and management

- Nature of the governing document and how charity is constituted
- Methods of recruiting and appointing new trustees
- Induction and training of trustees
- Organisational structure:
 - Details of the charity's Key Management Personnel and the basis for their remuneration
 - How key decisions are made by trustees and/or management team
 - Any sub-committees of the Board?
- Relationships between charity and other charities/organisations

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Judgemental areas

Catherine Biscoe, Partner

Substance and form

- Seeing the wood from the trees
- Signs of financial weakness
- Discretion is the better part
- The secret of great accounting
- Reading between the lines

What stands out in these figures?

EXPENDITURE	2022	2021
	£	£
Service provision	5,000,000	5,750,000
Salaries	3,200,000	3,000,000
Publications	515,000	500,000
AGM meeting	4,100	4,000
Annual Diner	6,000	5,000
Stationary	9,000	7,000
Auditor's remuneration	3,000	2,000

Aggregation vs detail

- Sufficient detail to differentiate
- Maintain focus
- Don't let the presentation distract
- Avoid micromanagement

EXPENDITURE	2022 £	2021 £
Service provision	5,000,000	5,750,000
Salaries	3,200,000	3,000,000
Publications	515,000	500,000
AGM	4,100	4,000
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Assessing solvency

- “Going concern” disclosures
 - Assumptions and uncertainties
 - Disclosure as default
 - Hope over experience?
- Brackets aren’t (usually) good news
- Only consider unrestricted funds?
 - CC guidance on reserves
- SORP requirements

Is this charity solvent?

	£	£
Tangible fixed assets		1,000,000
Current assets	500,000	
Creditors due within one year	(350,000)	
Net current assets (liabilities)		150,000
Net assets		1,150,000
<hr/>		
Funds		
Restricted funds		400,000
Unrestricted funds		750,000
Total funds		1,150,000

Is this charity solvent?

	£ Designated funds	£ General funds	£ Restricted funds	£ Total funds
Tangible fixed assets	1,000,000	-	-	1,000,000
Current assets	50,000	50,000	400,000	500,000
Creditors due within one year	-	(350,000)	-	(350,000)
Net current assets/ (liabilities)	50,000	(300,000)	400,000	150,000
Net assets/ (liabilities)	1,050,000	(300,000)	400,000	1,150,000

Accounting policies

- Most areas of principle dealt with by SORP/ GAAP
 - Specific assumptions
 - Fine distinctions
- Depreciation (or lack of)
- Timing - cut off
- Certainty & measurement
- Entitlement/ obligation
- Greater disclosure around judgements and estimation

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Depreciation



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Cut off



Probability and measurement

- Legacies
- Provisions for liabilities
- Contingent liabilities and assets

Entitlement and obligation

- Multi-year funding
- Constructive or “moral” obligation
- What are the break points, and in whose hands?

Designated funds

- Funds set aside for a specific future purpose
- May be contingent – e.g. project termination
- May include:
 - Planned deficits
 - Grant or capital commitments
 - Fixed assets?
- Should not be used simply to disguise “free reserves”

What may not be said?

- Purpose of funds
- Reserves policy
- Spread of assets over funds
- Related party transactions

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Q&A

Contact us



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Thank you for watching