

Important Note:

Charities which are companies (ie: are incorporated by Companies House), or have an annual income over £250K, have no choice but to prepare their annual financial reports (“accounts”) on an Accruals basis.

{But if you are a charitable company with an annual income less than £250,000 see the section “Criticising is the Easy Bit”}

Charities which are excepted or exempt might, or will, have to comply with different or additional regulations which are not covered by this leaflet.

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This leaflet is just one of many produced by Small Charity Support.

A full list of the leaflets currently available can be found on the Small Charity Support website, <https://www.smallcharitysupport.uk/index.php/downloadable-leaflets> or downloaded [HERE](#).

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



Overview

This article explains why, in Small Charity Support's view, both the Accruals and the Receipts & Payments (R&P) reporting standards are Not Fit for Purpose for charities with annual incomes less than £250,000.

Between the Devil and the Deep Blue Sea.

"Small" charities with annual incomes less than £250,000 (*ie*: the *ca*:85% vast majority !) are presented with the dilemma of a "between the Devil and the Deep Blue Sea" choice when it comes to preparing their statutory Annual Financial Report ("Accounts"). This dilemma has been created because the only two options for "small" charities – the "R&P/Cash" or the Accruals (FRS-102+SORP) reporting standards – have NOT been designed to deal with the specific financial reporting issues of the charity sector. Instead, both have merely been adapted from reporting standards designed for the commercial sector.

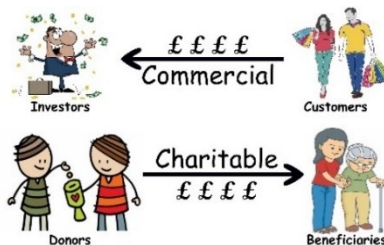


And this is not just Small Charity Support's opinion.

Both the Charity Commission and the Charity Finance Group are on record as having expressed a similar opinion.

Managing charity finances in a business-like way – *ie*: Efficiently, Effectively & Economically

Of course ! the charity sector and the commercial sector do share some elements in common when it comes to managing and reporting their financial activities Efficiently, Effectively & Economically (*the EE&E of delivering "value for money"* – to which the charity sector often adds Equitably and Ecologically).



But ! their outcome objectives are fundamentally different.

Commercial companies are "in the business" of utilising their investors' money in **EE&E** ways to generate even more money for the benefit of their investors.

Charities are "in the business" of utilising their donors' money in **EE&E+EE** ways to generate the maximum benefits for others – their beneficiaries (and the public at large).

So commercial financial management & reporting is focused on showing how wealthy the organisation is (*ie*: how much "money" – both "real money" & "funny money" – it is worth) and optimising the organisation's taxation liabilities. Hence commercial financial reporting has to comply with the *ca*.400 page FRS-102 standards (*ie*: on an "Accruals" basis).

In contrast. charity financial management & reporting is focused on showing how well it has spent its donors' money in **EE&E+EE** ways It's about **spending** donors' money for public benefit, not about **accumulating wealth** for investors' benefit. **That difference is significant !**. The FRS-102 is a solution to an issue that most charities don't have – and therefore requires another *ca*.200 pages of the Charities SORP to apply it to the charity sector.

The Official Alternative to FRS-102+SORP Accruals Reporting for "Small Charities"

Charities with annual incomes less than £250,000 (AND are NOT charitable companies) can opt to report their financial activities on a "R&P" (*ie*: "Cash") basis. But that **DOES NOT** make managing & reporting the "real money" coming into and going out of their bank accounts simpler than Accruals reporting. **IN FACT** in some cases it actually makes it more complex by distorting their financial reports when their cash flows are not synchronised with their accrued financial commitments (*ie*: debtors & creditors). Which is why "R&P" (*ie*: "Cash") reporting is widely disdained as being incapable of giving a "true & fair view" of the organisation's financial status.

"Cash" reporting was introduced in the commercial sector to deal with the cash-flow difficulties created when small unincorporated business report on an accruals basis and so become liable to HMRC for corporation tax and/or VAT before the business has received the payment from the customer. **That difference is significant !** Most small charities AREN'T liable to HMRC for corporation tax & VAT. *ie*: "Cash" reporting is a solution to a commercial financial reporting issue that typical "small" charities don't have. And disguising that difference by giving "Cash" reporting a different name – "R&P" reporting – is disingenuous

***ie*: Both current financial reporting schemes are self-evidently Not Fit for Purpose for "small" charities!**

The ideal solution in the long-term ?

Abolish "R&P" (*ie*: Cash) reporting for charities and introduce an Abridged Accruals reporting scheme for small charities (*ie*: leaving out the requirement to include largely irrelevant "funny money" as if it was "real money").

In the mean-time ?

Small charities record, manage & report their "real money" (but NOT "funny money") financial activities on an accruals basis throughout the years and only use "R&P" (*ie*: Cash) reporting to produce their end-of-year Annual Financial Report for the Charity Commission. **That is a simple, tried, tested and EE&E solution to the dilemma – unequivocally demonstrated & validated by the Small Charity Support's "proof of concept" spreadsheet.**

To Accrue ...? or Not To Accrue ??

Faced with the legal obligation to prepare annual accounts (*ie*: their annual report on their charity's finances) and make them publicly available, the typical unpaid, volunteer, non-accountant trustees of small charities often find themselves in a financial "Wonderland" trying, like Alice, to get answers to two "simple" questions:

- 1: Which is better and more useful for my charity – accruals accounts or receipts & payments accounts ?
- 2: Why are Accruals accounts so much more complicated than Receipts & Payments accounts ?

Three Tales of Financial Accountancy

Reporting some everyday experiences, told from a charity financial reporting perspective.

Receipts & Payments Reporting

- 1: You had £0 of "wealth" – *ie*: you had no "cash in hand" – because a friend (*or employer*) had not yet paid the £100 that they owed to you. So you were unable to go shopping to buy food and other items for the coming week.
- 2: You had £100 of "wealth" – *ie*: £100 "cash in hand" – because a friend (*or employer*) had just repaid the £100 that they owed to you. So you could go shopping that day. But as you went round the supermarket you had to be careful not to put too many luxuries into your trolley. At the checkout till you paid the £95 bill from the money in your pocket. You left the shop with just £5 of "wealth" left – but at least you had some "tangible assets" – *ie*: something to eat in the coming week. On the way home you realised that the car was getting low in petrol. But the remaining £5 "wealth" in your pocket was not sufficient to pay to top up the tank. So you had to go home hoping that it wouldn't be too long before you received some more money.



Accruals Reporting

- 3: You had £100 of "wealth". *ie*: you had no "cash in hand", but a friend (*or employer*) did owe you £100. So you went shopping anyway. And as you went round the supermarket you had to be careful not to put too many luxuries into your trolley. At the checkout till you paid the £95 bill by credit card. But you left the shop still £100 "wealthy" because although the £100 owed by your friend (debtor) was offset by the £95 owed to the credit card company (creditor) you now had £95 of tangible assets in your shopping bag. On the way home you realised that the car was getting low in petrol. But you had no money in your pocket and only £5 left in the £100 credit limit on your credit card. In the past that wouldn't have been a problem because the previous owner of the garage had been willing to accept bags of rice (*of which you had several in your shopping basket*) to pay for the petrol. But the present garage owner only accepted Pokémon cards (*of which you had none*) as an alternative to cash. So you had to go home hoping that would be able to top up the tank when your salary was paid next month.

During the following week your initial £100 "wealth" slowly diminished because the "value" of the original £95 of tangible assets (*ie*: the goods bought at the supermarket) fell by £80, of which:

- ↻ £20 was depreciation – *ie*: some of the tangible assets were perishable and approaching their "use-by" date and so fell in value (*like the familiar "yellow label" discount offers on supermarket shelves*);
- ↻ £55 was written off – *ie*: most of the tangible assets were eaten or used;
- ↻ £5 was impairment – *ie*: one item had gone mouldy and had to be discarded;

The only remaining tangible assets were some unused bags of rice "valued at" £15 (*ie*: the purchase price).

So your "wealth" at the end of that week was:

$$\mathbf{£100} \text{ (outstanding debtor)} - \mathbf{£95} \text{ (outstanding creditor)} + \mathbf{£15} \text{ (bags of rice - tangible assets)} = \mathbf{£20}$$

.....of which only £5 was "real money" which could be used to buy the much needed petrol for the car (*unless another garage could be found which would accept bags of rice instead of cash*).

Two Explanatory Notes:

The numbers have been kept small to make them easily manageable. But don't just dismiss them as "immaterial". If you want the amounts to be more "material" just add some 0s on the end. eg: that £100 loan becomes a £10,000 loan, or perhaps a promised donation; the £95 supermarket bill becomes £9,500 for the catering for a major charity event; the £5 becomes £500 – insufficient to re-fill the fuel-tank for the oil-fired central heating.

For explanations of the references to bags of rice and Pokémon cards, see the Bank of England's excellent (and short) web-pages on "[What is Money](#)" and "[Legal Tender](#)".

Welcome to the “Wonderland” of Charity Accountancy !

Managing the Money

Those three tales illustrate the main differences between Receipts & Payments (R&P – *ie*: “Cash”) and Accruals reporting for charities.

R&P(“Cash”) reporting focuses on the cash that the charity had “in hand” at the time of the report.

But Accruals reporting for charities includes reporting not only any cash the charity was owed by, or owed to, others (*ie*: in addition to the charity’s “cash in hand”) but is also required to include notional “cash values” for any non-cash assets that the charity owned at the time of the report.

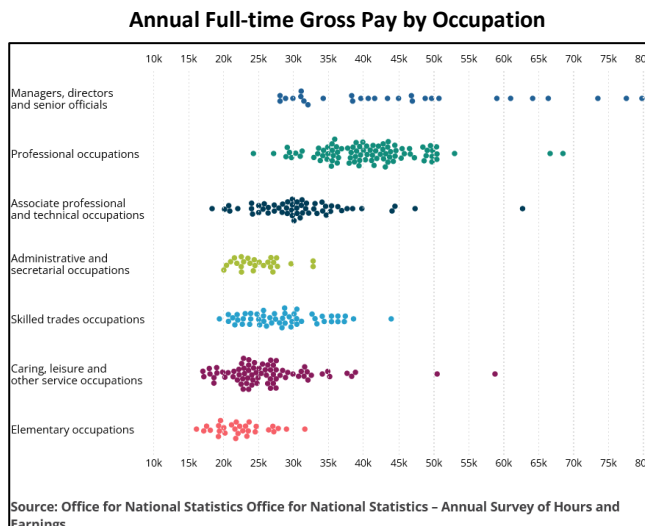
Half of all employees in the UK have annual incomes of less than ca.£33,000 (*the median annual income*). And most seem to understand the need to know and manage:

- £ who they owe money to, and who owes money to them;
- £ what consumables they regularly have to spend money on in order to run their daily lives;
- £ what property & equipment they need to own in order to run their daily lives; what they cost, and when they are likely to need replacing;
- £ what money they need to put aside (when and if they can) for those inevitable “rainy days”;

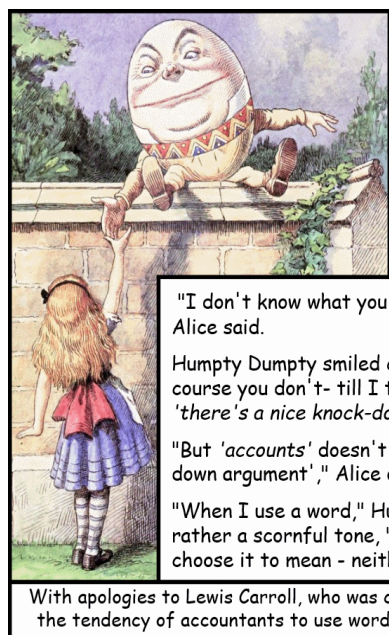
ie: on an Accruals basis – but usually without having to become experts in either Receipts & Payments or Accruals financial reporting systems.

It’s less widely realised that the median annual income of charities in England & Wales is just ca.£21,200 *ie*: half of all charities have incomes significantly less than (*ie*: 2/3^{ds}) of the median incomes of the “ordinary” trustees who have the ultimate responsibility for the management and reporting of charity funds.

So its hardly surprising that the above three tales sound like unnecessarily irrelevant nonsense!
ie: **Pedantically complicated bean-counting by financial bureaucrats in ivory towers !**



The “Humpty-Dumpty-ism” of Financial Jargon



A key cause of the “complexity” of – and, therefore confusion about – charity “accounts” is the “professional obfuscation” (*ie*: “well-stirred muddy waters”) of accountancy jargon which uses the word “accounts” to mean different things in different contexts.

When talking about a charity’s “accounts”, is that a reference to the charity’s management accounts – its day-to-day reports to trustees’ and/or admin meetings on things like cash-flow, budget monitoring, programme planning?

Or a reference to the charity’s annual accounts – it’s once a year “state of the nation” statutory report to the Charity Commission?

Or a reference to the charity’s financial records – the physical cash-books or software package, or spreadsheets – or some remote “cloud” in the “ethernet” – in which it keeps the records of individual transactions? And are those records in accruals or cash “accounting” format – or both – or neither?.

Or a reference to the arrangements that the charity has with a bank or building society to hold its “real money” (*ie*: Legal

Tender) to facilitate making payments to or receiving payments from other people or organisations?

For as none other than [Lord Hailsham once said](#): “... the words ‘charity’ and ‘charitable’ bear, for the purposes of English law and equity, meanings totally different from the senses in which they are used in ordinary educated speech or, for instance, in the Authorised Version of the Bible.”

Professional accountants, using accountancy jargon on a daily basis, might be able to recognise which of the different nuances in meaning is appropriate to the context of what is being dealt with at the time. But that is not so easy for

non-accountant charity trustees, volunteers and staff who are already finding the inconsistencies and contradictions of wider accountancy jargon and Humpty-Dumpty-isms confusing (eg: nominal accounts; suspense accounts; journals; cash books; creditors & debtors; tangible, intangible & heritage assets; profits; reserves).

Let's Return to the Real World

Accounts, Records or Reports?

Let's leave Humpty-Dumpty behind and start off by being clear and un-ambiguous:

In this leaflet we are avoiding using the word "accounts" whenever possible – ie:

- ✓ we'll be talking about creating a charity's statutory Trustees' Annual Financial **REPORTS (TAFR)** for submission to the Charity Commission each year – **not** referring to them as the charity's Annual "Accounts".
- ✓ and we'll be talking about the systems (these days, usually computerised) for creating and using a charity's **RECORDS** (sometimes called "bookkeeping") for managing its day-to-day financial activities throughout the year – **not** referring to them as "Accounts".

For Profit.....or Not-for-Profit

Charities which choose to (or are required to) **report** their financial activities on the Accruals basis are required to do so in full compliance with the [Financial Reporting Standard FRS-102](#) – a ca.400 page document, full of Humpty-Dumpty accountancy and legal jargon.

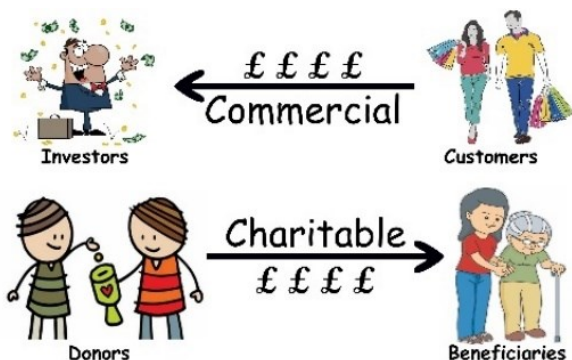
In its Overview the FRS-102 states:

- (i) *The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.*
- (v) *FRS 102 is designed to apply to the general purpose financial statements and financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented.*

Except that the ca.400 pages of the FRS-102 are so well "designed" to meet the needs of the charity sector that they require a [Statement of Recommended Practice](#) of up to a further 200 pages of to explain how the FRS-102 has to be interpreted and applied to the financial annual reports of charities.

It is certainly true that "not-for-profit" charity financial management & reporting has many elements in common with "for profit" commercial financial management & reporting. Both want to be managing and spending their organisation's money **E**fficiently, **E**ffectively & **E**conomically (the **EEE** of delivering "[value for money](#)").

In the commercial sector the ultimate objective is for organisations to spend their investors' money **EEE** in ways that generate even more money (ie: profit) in return – "the more the merrier".



So FRS-102 financial reporting is not just about how an organisation shows how it has been spending its investors' money. A significant element is on showing how "wealthy" the organisation has become – ie: how many assets (eg: property – both physical and intellectual; equipment; investments) it has accumulated and their estimated monetary value in addition to its "real money" profits. Accruals financial reporting gets its name from the verb "to accrue" – "[to increase in number or amount over time](#)".

But in the charity sector the ultimate objective is for charities to be spending their donors' money **E**fficiently, **E**ffectively & **E**conomically in ways that generate maximum benefits for the charity's beneficiaries, generating nothing in return for the donors other than the satisfaction of having helped others. And, for most charities, ways which are also **E**thical and **E**quitable (ie: **EE&E+EE**).

Why Receipts & Payments "Accounting" for Small Charities ?

This is one of life's little mysteries, the answers to which are known only by the bean-counting bureaucrats in ivory towers. The usual "explanation" – because it is "simpler" than accruals "accounting" – is disingenuous.

Cash accounting was introduced for small unincorporated businesses in the commercial sector to deal with a very specific problem which is created when they are required to act as unpaid tax collectors for HM Revenue & Customs.

Explanatory Note:

Corporation tax and VAT become payable to HMRC as of the date that the income from sales and expenditure on purchases are "accounted" for (ie: recorded and reported). In practice that means that if a business records and reports its financial transactions on an accruals basis it becomes liable to pay the taxes due to HMRC at the time that the transaction was legally entered into, even if the customer doesn't actually pay for those goods or services until some time later. That can create significant cash-flow problems when it results in the business having to pay the tax to HMRC from its own pocket because it has not yet actually received the payment from the customer. Cash accounting was therefore introduced as a concession to some small business to help mitigate that particular cash-flow problem.

But most small charities are not subject to VAT on their charitable goods & services and do not make profits (ie: are not liable for corporation tax) !

"Cash" (ie: R&P) reporting is, therefore, a "solution" to a problem that most small charities DON'T have !

But the issues don't stop there !

"Cash" (ie: R&P) recording & reporting {"accounting"} is widely disdained – in both the commercial sector and the charity sector – for its tendency to distort financial reports when the date on which a transaction was actually paid (the "Cash" date) fell in a different financial reporting period from the one in which the transaction was originally committed (the "Accrual" date). That is one of the main reasons why financial accounts (reports) prepared on a "Cash" (ie: R&P) basis are regarded as being incapable of demonstrating that the organisations accounts are "a true and fair view" of the charity's financial standing

Case Study: (fictional – but based on real examples)

You can skip this if you wish

A charity (financial period ending 31 December) books a venue for a pre-Christmas event the cost of which is to be offset by the sale of tickets. But the charity but only gets invoiced and pays for the hire of the venue in the following January.

Under Accruals reporting, all the income and expenditure related to the event get reported together in the same period – ie: on the date on which they were accrued – to report the net surplus/deficit on the event.

But under "Cash" (ie: R&P) reporting, income and expenditure has to be reported in the financial period where the money changed hands (ie: their "Cash" dates). Hence the income from the sale of the tickets gets reported as a net surplus in the year of the event, while the cost of the venue gets reported as a net deficit in the year following the event.

In other words: far from making financial annual reports "simpler" to prepare, "Cash" (ie: R&P) reporting can (and does!) unnecessarily CREATE distortions and confusions that most small charities wouldn't have if using Accruals reporting !

The Mystery Deepens

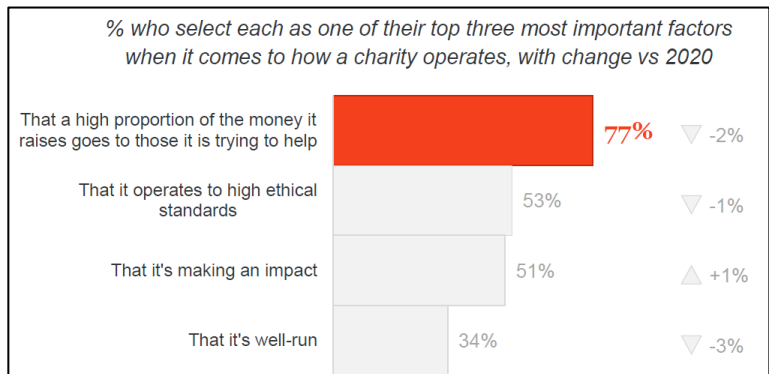
The Charity Commission places great emphasis on the importance of charities' Trustees Annual Financial Reports in promoting public trust and confidence in charities and their use of donated funds. The 2021 review of [Trust in Charities](#) reports {right} that:

"Ensuring that a 'high proportion of the money a charity raises goes to those it is trying to help' remains by far the most important and firmly-held expectation for how a charity should operate"

and particularly quotes a comment from a member of the public:

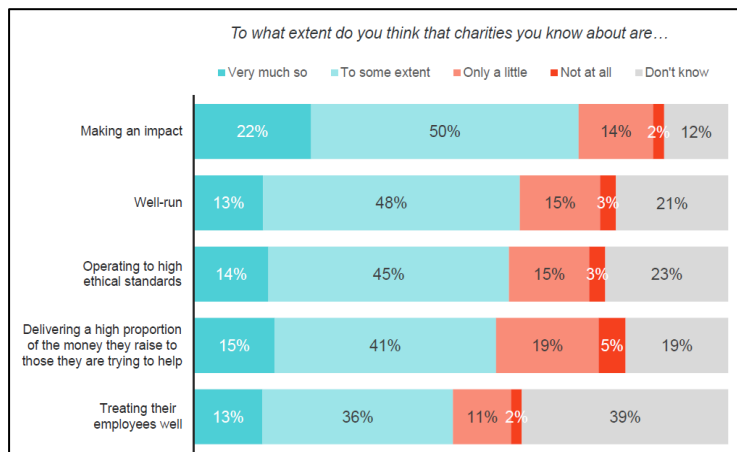
"They have to have accounts. They have to be transparent in their practices and they have to show how they're using funds."

It is therefore "curious" that small charities should be offered Receipt & Payments ("Cash") reporting as an



alternative to Accruals reporting, given that it is widely disdained for its tendency to distort financial reports and, hence, is unable to guarantee that such reports will present a "true & fair view" of a charity's financial status

The 2022 review of public [Trust in Charities](#) shows that little more than half of the public have confidence that a high proportion of their donations are going to the charities' beneficiaries. It seems that giving the majority of small charities the option to report on the so-called "simpler" Cash (ie: R&P) basis is not alleviating the issue.



So why treat small charity trustees as financial incompetents ?

In today's real world, "Cash (ie: R&P) accounting" is a taxation concession for small businesses (or for those unfortunate enough to have to live day-to-day on a "hand-to-mouth" basis, not knowing when or where the next money will be coming from).

As previously illustrated, most people are familiar with managing their personal money on an accruals basis. ie: knowing and managing what their financial commitments are – to whom they owe (or will owe) money, and by whom are they are owed (or will be owed) money. So why should it be any more difficult for them to manage a small charity's money on an accruals basis? It is verging on insulting to offer them fundamentally flawed "Cash (ie: R&P)" financial reporting as alternative to Accruals reporting on the "justification" that it is "simpler".

What Makes Producing Accruals Annual Reports So Complicated?

If all the relevant information on a charity's day-to-day financial transactions (ie: including BOTH the accrual date and the cash date) have to be recorded and reported throughout the financial period for **£££(+££)** management purposes why is it so much more complicated to produce a charity's end-of-period Annual "Accounts" on an Accruals basis rather than on a "Cash"(R&P) basis ?

"Funny Money" !

"Funny money" is the notional money "values" (ie: numbers prefixed with a £ symbol) assigned to the charity's non-monetary assets by those for whom the only measure of "value" in life is money and wealth. In the commercial sector "funny money" plays a significant role in reporting the profitability of an organisation for the benefit of its investors. Commercial organisations need to be able to spread the cost ("value") of their resources/assets over their operational life-time (eg: "funny money" depreciation) as part of calculating what to charge their customers to generate maximum profits for their investors (and optimise their taxation liabilities).

OF COURSE charities also need to have records of what assets they have, how much they cost originally and what it might cost to replace them (if known) in order to ensure that they are used in an **£££+££** way. **BUT !...**

- ✗ as already noted, charities are NOT commercial organisations;
- ✗ their primary outcomes objectives are NOT maximising their money assets & resources (profit);
- ✗ they are NOT commodities which can be bought and sold "like tins of sardines" by investors for their own profit. ie: investors can't buy up asset-rich charities, sell off the "valuable" assets for their own profit ([asset-stripping](#)) and then discard any residue;
- ✗ the requirement that charity financial reports prepared on an Accruals basis must comply with the FRS-102 & SORP reporting standards means that all a charity's resources – financial assets (*investments*); tangible assets (*property, equipment, furniture, vehicles used to run the charity*); heritage assets (*works of art or historical interest*); intangible assets (*copyright, goodwill*) – have to be given notional "funny money values" so that financial "bean-counters" can play at comparing or aggregating different assets as if they were all one-and-the-same-thing (ie: legal tender) to show how "wealthy" the charity is.

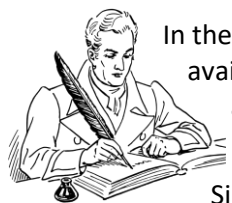
That is illustrated by the layout of the [Charity Commission's CC17b template](#) for charity financial reports on the Accruals basis (right). In the "Humpty-Dumpty MoneyLand" of accountancy jargon, words like "Money", "Cash", "Assets" – represented as numbers prefixed by the £ sign – are used in contexts which imply that "Funny Money" and "real money" are one and the same thing. That then creates the implication that the "funny money" notional values of assets can be used in the same way as "real money" {ie: Legal Tender} to offset (ie: repay) its outstanding financial commitments. That is clearly inconsistent with the difference between "real money" (legal tender) and "funny money", as explained in the Bank of England's information pages, "[What is Money?](#)" and "[Legal Tender](#)". ie: how many packs of Pokémon cards are equivalent to a bag of rice, or a tank of fuel (or an hour of volunteers' time) ?

The use (or "mis-use"?) of the assignment of notional "funny money values" to an organisation's assets was highlighted by a news article which reported that Burberry (the "up-market" fashion wear and beauty products business) had [burned £28.6M of unsold goods](#) in order to "enhance" its profitability by making its products more exclusive and, therefore, more "funny money valuable" (ie: expensive) for its customers. That might be a justifiable application of

| Section B | | Balance sheet | | | | |
|--|----------------|-------------------------|------------------------------|----------------------|----------------------|----------------------|
| | Guidance Notes | Unrestricted funds £ | Restricted income funds £ | Endowment funds £ | Total this year £ | Total last year £ |
| | | F01 | F02 | F03 | F04 | F05 |
| Fixed assets | | | | | | |
| Intangible assets (Note 15) | B01 | - | - | - | - | - |
| Tangible assets (Note 14) | B02 | - | - | - | - | - |
| Heritage assets (Note 16) | B03 | - | - | - | - | - |
| Investments (Note 17) | B04 | - | - | - | - | - |
| Total fixed assets | B05 | - | - | - | - | - |
| Current assets | | | | | | |
| Stocks (Note 18) | B06 | - | - | - | - | - |
| Debtors (Note 19) | B07 | - | - | - | - | - |
| Investments (Note 17.4) | B08 | - | - | - | - | - |
| Cash at bank and in hand (Note 24) | B09 | - | - | - | - | - |
| Total current assets | B10 | - | - | - | - | - |
| Liabilities | | | | | | |
| Creditors: amounts falling due within one year (Note 20) | B11 | - | - | - | - | - |
| Net current assets/(liabilities) | B12 | - | - | - | - | - |
| Total assets less current liabilities | B13 | - | - | - | - | - |
| Creditors: amounts falling due after one year (Note 20) | B14 | - | - | - | - | - |
| Provisions for liabilities | B15 | - | - | - | - | - |
| Total net assets or liabilities | B16 | - | - | - | - | - |
| Funds of the Charity | | | | | | |
| Endowment funds (Note 27) | B17 | - | - | - | - | - |

the FRS-102 reporting standards for “funny money” in the commercial sector. But it is hard to envisage how a charity – eg: a food-bank – might apply the same financial reporting standards to justify burning useable stock in order to create an unfulfilled demand amongst its beneficiaries as a way of encouraging its supporters to increase their donations.

Double-Entry Bookkeeping – An additional complication



In the “good old days”, when ink on paper written by quill pen was the best information technology available for recording, summarising and reporting financial transactions on an accruals basis, double-entry bookkeeping was a truly remarkable invention which revolutionised commercial financial management.

Similarly, in the “good old days”, when burning coal was the best energy source available to boil water to produce steam, steam engines were a truly remarkable invention which revolutionised commercial manufacturing and transport.



Then electricity became available as an energy source, and electricity is now widely regarded as much more **EE&E** way to boil a kettle to make a cup of tea. But any thought of using electricity instead of burning coal to boil water to produce the steam to power machinery to manufacture goods or engines to pull trains would be regarded as stupid. Consequently, the use of steam engines for commercial manufacturing and travel is now obsolete, though they remain popular in museums as “quaint historical artefacts”, much loved by aficionados.



Similarly, using electricity to power computers is now widely regarded as a much more **EE&E** way to record and analyse financial information to produce financial reports. But for some “curious” reason, modern computerised relational database technology is used to replicate the accountancy double-entry methodology of the ink on paper by quill pen era. *ie:* most current commercial financial software still makes use of “quaint” – but obsolete – historical concepts *{also much loved by aficionados}* like cash books, ledgers, journals, nominal accounts, double-entry bookkeeping. It’s the accountancy equivalent of using electricity to boil water to replicate the steam engine methodology of the coal-fired era. (And another example of the “[Luddite](#)” problem?)

That is shown by Small Charity Support’s “[Charity Accounts Made Easy](#)” spreadsheet ©. The spreadsheet **is not** a commercial product. Developed over almost a decade and used successfully by dozens of “small” charities, the spreadsheet **is** a credible “[proof of concept](#)”. *ie:* it uses real (anonymised) data from real charities to show:

- ✓ how day-to-day financial transactions can be managed in an **EE&E+EE** way on either/both an “Accruals” and a “R&P/Cash” basis simultaneously and in real time from one simple, clear and intuitive set of records;
- ✓ that same single set of records can be **also** used to produce the charity’s end-of-year Annual Accounts on either/both an “Accruals” and “R&P” basis compliant with Charity Commission guidelines; ” **and** by trustees who are neither professional accountants nor bookkeepers.

{A detailed description of the functionality of the spreadsheet is given in the [Appendix](#).}

Charity Annual Reports – Between the Devil and the Deep Blue Sea ?

In the view of Small Charity Support (and also of others) it is totally inappropriate that, when it comes to the once-a-year task of preparing their Annual Financial Report (AKA “Accounts”) the trustees of small charities are faced with having to choose between reporting on:

- 🤔 an Accruals basis using the FRS-102+SORP reporting standards designed to meet the profit-orientated needs of the commercial sector and the requirement to include the confusions of “funny money” and the complications of copious Humpty-Dumpty notes; or
- 🤔 a “Cash” (Receipts & Payments) basis using reporting standards designed to mitigate taxation issues faced by small businesses (which don’t apply to small charities) and the consequent distortions created when financial transactions are split between reporting periods.



In November 2020 Small Charity Support's article, "[Not Fit for Purpose](#)", was submitted to the "Smaller Charities and Independent Examiners" Engagement Strand of the recent SORP review, which responded:

"the thrust of your concerns about the current provisions of the SORP very much chime with our own".

The Charity Commission seems to be of the same opinion. In a [letter](#) to the Financial Reporting Council (25 May 2021), the Commission said:

"The focus of accounting standards is very much on the interests of the providers of risk capital to for-profit businesses. Charities are established for the public benefit and not as owner managed for-profit businesses and, although welcome, the PBE paragraphs are proving insufficient in addressing the reporting needs of the users or charity accounts and avoiding for-profit orientated disclosures detracting from the quality and character of public benefit accounting and reporting."

And Caron Bradshaw, chief executive of the Charity Finance Group, was [reported](#) as saying:

"The government's drive to increase trust and transparency is to be welcomed by all. However, we need to break this long but flawed habit of shoehorning charities into regulation and legislation designed for the for-profit world to avoid the unintended and harmful consequences such an approach brings about for the third sector."

Criticising is the Easy Bit

Albert Einstein:

"We can't solve problems by using the same kind of thinking we used when we created them".

The Ideal Solution !

Small Charity Support thinks that the ideal solution would be a financial reporting system designed specifically to meet the needs – and capabilities – of the vast majority (91%) of "smaller charities" with annual incomes less than £500K. If additional reporting is required from the small minority (9%) of "wealthier" charities (incomes over £500K) it should be included in a separate supplement to the main requirements.

That would be key to minimising the amount of core guidance that the majority of non-accountant volunteer trustees of smaller charities have to cope with.

However, it is acknowledged that might not be a pragmatic and acceptable solution in the foreseeable future.

A Long-Term Solution ?

Receipts & Payments reporting is discarded – ALL charities produce their Annual Financial Reports on the Accruals basis (*ie*: all transactions are reported as of the dates on which the transaction were legally committed, not on the date that "the money changed hands").

The FRS-102 reporting standard would probably need to be retained – because that's what most professional accountants know and understand. Which is unfortunate for the non-accountant [hoi-polloi](#) – *ie*: the typical volunteer trustees (who, legally, have the ultimate responsibility for their charity's accounts). And it's even more unfortunate for the typical volunteers, supporters, donors, beneficiaries and staff of the vast majority (*ie*: 91%) of "smaller" charities who want to see understandable reassurance that their charity's funds are being used in **EE&E+EE** ways to deliver their charitable objects (but don't have the time – and even less the inclination – to struggle through the *ca.*400 pages of the FRS-102 **AND** the *ca.*200 pages of the Charity SORP). So the Charity SORP would need to be focused on "abridged" accruals reporting for that 91% majority of "smaller charities".

A key element of "abridged" accruals reporting for "smaller" charities would be the removal of the requirement to include in the charity's annual financial reports the notional/hypothetical "funny money values" of the charity's operational and heritage assets (*ie*: those assets held and used specifically for the purpose of delivering the charity's activities/objects) as if they were "real money" (legal tender) coming into and going out of the charity's bank accounts.

In the Mean-time

In the mean-time, the typical non-accountant volunteer trustees of the 85% of small charities with annual incomes less than £250,000 are left with having to work out how to opt to prepare their once-a-year statutory Annual Financial Reports on the "simpler" Receipts & Payments ("Cash") basis – but can still manage their charity's finances in **EE&E+EE** ways throughout the rest of the financial year. *ie*: by keeping records of their accrued financial commitments and producing interim financial reports which do not distort their charity's true financial status.

Many small charities seem to get round that conundrum by ignoring the Charity Commission's guidance and just "doing their own thing". Which is, presumably, why the Charity Commission's own published reviews of the annual accounts of small charities *{the most recent of which was in 2019}* found that more than half did not meet its benchmark standards.

Small Charity Support DOES NOT recommend that as a good solution (however pragmatic it might be).

Outputs, Outcomes & Impact

When it comes to deciding how to produce their financial reports – whether their one-off statutory Trustees' Annual Financial Reports (TAFR) at the end of each financial period, or their many routine financial management reports throughout the financial period – charity trustees should focus on what the relevant **Outputs**, **Outcomes** and **Impacts** are and how they are delivering them (*ie:* as with managing all other aspects of their charitable activities).

Those **Outputs**, **Outcomes** and **Impacts** (**OO&Is**) fall into two distinct groups:

- (i) when producing a charity's end-of-year Annual Financial Report to submit to the Charity Commission:
 - ✓ the desired **Output** is a TAFR which is compliant with Charity Commission guidance;
 - ✓ the desired **Outcome** is the requisite "tick in the box" on the charity's entry in the Register of Charities;
 - ✓ the consequent **Impact** depends on who – if anyone – ever reads the report in the Register of Charities.
- (ii) but when producing operational financial reports to manage the day-to-day activities of the charity throughout the financial year:
 - ✓ the desired **Outputs** are the accurate, relevant, timely and up-to-date financial reports needed to support the making of strategic and operational decisions throughout the year;
 - ✓ the desired **Outcomes** are the charity's trustees, staff & volunteers enabled to manage the charity's financial resources **E**fficiently, **E**ffectively, **E**conomically, **E**quitably & **E**cologically;
 - ✓ the consequent **Impacts** are the charity's donors, volunteers & supporters in particular, and the public in general, being able to see clearly, and in ways that they can easily understand, how the charity's funds are being used appropriately for the purposes for which the donations and support had been given..

Meeting Statutory Reporting **Output**, **Outcomes** & **Impact** Requirements

For that first group of **OO&Is**, the decision is a "no brainer" !

Why waste time and resources preparing a charity's once-a-year TAFR on a full Accruals basis *{ie: [FRS-102 & SORP](#)}* when preparing them on a R&P basis is equally **E**ffective AND MORE **E**fficient & **E**conomic at delivering the desired **Outcome** (*ie:* complying with statutory reporting requirements and getting the required "tick-in-the-box")?

Except that it seems bizarre that R&P financial reporting – widely disdained for producing **Outputs** (*ie:* financial reports) which cannot be relied on as being accurate & relevant – should be promoted as an appropriate financial reporting standard for a sector if the primary intended **Impact** is: [Public confidence that a high proportion of the charity's funds are being delivered to those they are trying to help.](#) *{But who is Small Charity Support to [argue](#) ?}*

Explanatory Note:

Charity Commission guidance CC16 explicitly states:

["Receipts and payments accounts are not expected to show a 'true and fair view' of the charity's financial activities and state of affairs".](#)

You can skip this if you wish


Explanatory Case Studies:


A charity organises a major event towards the end, or shortly after the beginning, of its financial reporting period. Distortions in reporting the finances of the event on a R&P("Cash") basis are created when:

- ⊗ A deposit in advance has to be paid on the hire of the venue for the event, but the event itself takes place in the following financial period;
- ⊗ The invoice for the hire of the venue for the event is only received & paid in the financial period following the event;
- ⊗ Expenses claims from helpers are only submitted & paid in the financial period following the event;
- ⊗ Receipts for advance tickets sales are received in the financial period prior to the event;
- ⊗ Receipts from sponsors of the event are only received in the financial period following the event

What the guidance doesn't make clear is that even if a charity opts to produce its TAFR on the R&P("Cash") basis it will still have to record & report its day-to-day financial activities on an Accruals basis in order to manage its cash flows and financial commitments in an **EE&E+EE** manner (see the opening "[Three Tales](#)").

That's why there are two distinct branches of the accountancy profession:

 financial accountants – the “beauticians” of the financial world who are responsible for disclosing, retaining and submitting accurate information to governments, shareholders and other interested parties in an “attractive way – *ie*: to present the organisation's financial status in the best light;

 managements accountants – the “fitness trainers” of the financial world who analyse information to advise strategy and drive sustainable business success by ensuring that the organisation is functioning **E**fficiently, **E**ffectively & **E**conomically and delivering best “value for money” for their donors.

Meeting Day-to-Day Financial Management **O**utput, **O**utcomes & **I**mpact Requirements

For that second group of **OO&Is**, the decision is similarly a “no brainer” !

Why waste time and resources preparing a charity's once-a-year TAFR on a full Accruals basis *[ie: FRS-102 & SORP]* to submit to the Charity Commission (which it will probably never read)? Instead the charity can:

- ✓ use accruals recording & reporting to manage its finances and other resources **EE&E+EE** throughout the year;
- ✓ prepare *ad hoc* accruals reports to demonstrate the **EE&E+EE** use of its “real money” to deliver its charitable objects to its beneficiaries for the public benefit while avoiding both the distortions inherent in R&P("Cash") reporting and the complications inherent in reporting of “Funny Money” on the full FRS-102 & SORP basis;
- ✓ then use the “Cash date” of transactions instead of their “Accrual date” to produce its TAFR on an R&P("Cash") basis to meet its statutory obligation.

Which makes R&P("Cash") reporting an even more bizarre alternative to full FRS-102 & SORP reporting for small charities. *ie*: it's a mystery why the bureaucrats didn't instead create the option for small charities to produce abridged annual financial “Accruals” reports. Such abridged reports, focusing only the “real money” coming into and going out of the charity, could have achieved much the same “simplicity” of R&P("Cash") reports but without the distortions. The “Funny Money” elements of such non-monetary operational assets could still be reported as and when the trustees felt it necessary and appropriate to demonstrate to supporters and donors that they were acquiring and using those asset for the best interests of their charity.

Managing the Money

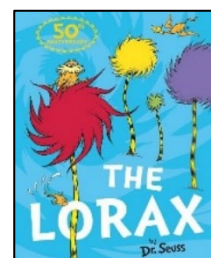
.....you can't eat money !

What the Charity Commission's (and most other) guidance also doesn't make explicitly clear is that the distortions in TAFRs produced on the R&P("Cash") basis are only created when the “Cash” dates for transactions fall in a different financial reporting period to the “Accrual” dates for those transactions (*as illustrated in the above case-studies*). Or to put that the other way round – when the “Cash” dates and “Accrual” dates of all transactions fall in the same financial reporting period there is no differences between the R&P("Cash") report and the Accrual report of the real money coming into and going out of the charity for that reporting period.

What that means in practice is that the differences (*ie*: “complications”) in preparing a charity's TAFR on an Accruals basis instead of on a R&P("Cash") basis are NOT due to differences in the “bookkeeping” – *ie*: are NOT due to differences in the ways that the “real money” coming into and going out of the charity have to be recorded & reported. Instead, those “complications” are largely due to the confusions created by the FRS-102 & SORP requirement that such TAFRs include the fluctuations in the notional (“[Funny Money](#)”) “values” of the charity's non-monetary resources (*eg*: “bags of rice, pints of milk, Pokémon cards - to use the [Bank of England's examples](#)) as if they were the same as the “real money” (*ie*: legal tender) coming into and going out of the charity's bank accounts!

Because “persons on the Clapham omnibus” (and the typical trustees & supporters of charities) intuitively understand that the notional (“funny money”) value of a charity's operational asset ISN'T necessarily the “real money” amount that the charity would actually get if it sold them. And even if it was, what use would that “real money” be if, [without those assets](#), the charity could no longer deliver its charitable objects to beneficiaries who were unable to pay the “commercial value” of those goods or services?

[Even children can understand that !](#)



...and is totally inconsistent with the Bank of England's [perception](#) of what is, and isn't, “money”.
(and a classic example of accountancy [Humpty-Dumpty-ism](#) in practice!)

Keep the “Funny Money” and “Real Money” Separate

Managing a charity **EE&E+EE** must not only be done – it must be SEEN to have been done

Charities of all sizes need to keep relevant records of their physical resources in order to be able to identify, manage and report to donors on the costs and justifications for having and using such resources, *for example*:

- 😊 whether it is more (or less) **E**fficient, **E**ffective & **E**conomical (and **E**thical & **E**cological) to buy physical resources rather than to hire/rent them when needed; or
- 😊 how the charity is factoring the replacement costs of its physical assets into the gross cost of its charitable activities when preparing budgets, grant applications, outcomes & impact reports, *etc.*

But, as explained earlier, recording and reporting the “funny money” value of assets on an accruals basis (*ie*: in compliance with FRS-102 + SORP) ISN'T the only way, or necessarily the most effective way, for small charities to demonstrate to their supporters and donors in particular, and to the public at large, that they have managed and used their resources wisely to deliver their charitable activities in ways which are “value for money”.

The Small Charity Support “Proof of Concept” spreadsheet includes an Assets worksheet which clearly demonstrates that all the information required by “Accruals accounts” to report on the “Funny

| DEPRECIATION OF ASSETS, PERIOD 01-Jan-19 TO 31-Dec-19 | | | | | | | | |
|---|---------------|---------------|--------------------|---------------|-------------------|------------------|-------------------|---------------------|
| Asset | Date Purchase | Fund | Useable Life (yrs) | Cost £ | Value at 31-Dec-1 | Depr'n in Period | Value at 31-Dec-1 | Purchases in Period |
| SUMMARY - Total for all assets | | | | 49,461 | 21,151 | 7,542 | 14,809 | 1200 |
| Office Furniture | 18-Aug-13 | | 7 | 10,000 | 2,326 | 1,428 | 899 | |
| Computer & Scanner | 07-Mar-14 | | 3 | 962 | 0 | 0 | 0 | |
| Computers & Printers | 23-May-16 | | 3 | 12,000 | 1,563 | 1,563 | 0 | |
| Mini-bus | 31-Dec-16 | Better Eating | 6 | 24,000 | 15,995 | 3,997 | 11,997 | |
| Computer & Printer | 05-Dec-18 | | 3 | 1,299 | 1,267 | 433 | 834 | |
| Notice Boards | 01-Jul-19 | | 5 | 1,200 | --- | 121 | 1,079 | |

Money” value of “tangible” (*ie*: physical) assets throughout their lives can be maintained in a simple, intuitive worksheet. Basic primary data on fixed assets are entered at the time of their acquisitions and thereafter are automatically “depreciated” in real-time on an on-going basis using the computer’s internal clock without further manual intervention. *ie*: recording and reporting the notional costs of a charity’s physical assets for the **EE&E+EE** management of those resources over their life-time DOES NOT require that their “Funny Money” value be reported in TAFRs prepared on an Accruals basis.

Similarly, the spreadsheet contains a simple intuitive table aggregating and summarising the

| INVESTMENT ASSETS, PERIOD 01-Jan-19 TO 31-Dec-19 | | | | | | | | | | | | |
|--|------|---------------|-------------------|------------------|-------------------|--------------|-------------------|-----------------|---------------|--------------------|------------------|---------------------|
| Investment | Fund | At 01-Jan-19 | | | Additions in Year | | Disposals in Year | | At 31-Dec-19 | | | |
| | | Quantity Held | Open Unit Value £ | Carrying Value £ | Quantity Bought | Amount Paid | Quantity Sold | Amount Realised | Quantity Held | Close Unit Value £ | Carrying Value £ | Net Gain or -Loss £ |
| Listed (At market value) | | | | | | | | | | | | |
| Sellmore Superstores | | 8,000 | 2,140 | 17,120 | 2,500 | 4,208 | 0 | 0 | 10,500 | 1,855 | 19,478 | -1,850 |
| EcoRenew Energy | | 11,207 | 0,980 | 10,984 | 0 | 0 | 3,052 | 3,662 | 8,155 | 1,021 | 8,330 | 1,007 |
| GetFit Bicycles | | 2,896 | 3,900 | 11,294 | 0 | 0 | 448 | 1,828 | 2,448 | 4,200 | 10,282 | 815 |
| Totals: | | | | 39,399 | | 4,208 | | 5,490 | | | 38,089 | -28 |

monthly reports from a charity’s investment manager(s) on the changes – additions, disposals, revaluations – in any investments held by the charity for the purpose of generating income.

Managing the “Real Money”

When it comes to managing the “real” money coming into or going out of the charity, there is little or no difference between the **records** (information/“accounts”) that charities have to keep in order to create the regular **reports** of their real money transactions required to manage their financial affairs **E**fficiently, **E**ffectively & **E**conomically (not to say **E**cologically and **E**quitably) throughout the year.

Accruals reports aggregate “real money” transactions data based on the accrual date of the transaction (*ie*: the date on which the transaction was committed);

R&P(“Cash”) reports aggregate “real money” transactions data based on the “cash date” of the transaction (*ie*: the date on which the “real money” actually changed hands).

The practical reality is that for many “real money” transactions the “accrual date” and the “cash date” will be the same. But, even where the “accrual date” and the “cash date” of such transactions differ, in most cases they will still fall within the same financial reporting period. And where the “accrual” and “cash” dates both fall within the same financial reporting period there will be NO DIFFERENCE between “real money” financial reports prepared on the “accruals” or the “cash” bases. Accruals and R&P(“Cash”) “real money” financial reports differ ONLY when the “accrual” and “cash” dates of transactions differ.

But another reason why “Accruals” reports are perceived to be more “complicated” than R&P(“Cash”) reports derives from the (**mis-**)perception that preparing “Accruals” **reports** requires the transactions data to have been **recorded** using traditional “Double Entry Bookkeeping” methods.

NOT TRUE !

Traditional “Double-Entry Bookkeeping” technology {*financial record keeping & reporting based on traditional, but now obsolete, ink, quill pen & paper technology*} has long been effectively superseded by modern relational database computer technology. But “orthodox” accountancy still insists on the equivalent of “[using electricity to boil water to power steam trains](#)” – *ie*: using modern computer technology to replicate all the antiquated jargon and procedures of ink, quill pen & paper technology.

Unfortunately that means that most commercial financial management software applications – including those said to be designed or adapted specifically for charities – still gives the user no option but to record & manage their finances using “complicated” (*ie*: confusing to many) “Double-Entry Bookkeeping” technology (*ie*: with all the “bells & whistles” of journals, cash books, nominal accounts, balance sheet, *etc*).



| Num | Date | Payee | Category | S | Withdrawal | Deposit | Total | Comment |
|-----------|------------|---------------------|---------------------------------------|---|------------|----------|----------|--------------------------|
| | 01/10/2019 | The Law Society | A1.1-VOLUNTARY INCOME Donations (GA) | R | | 300.00 | 6,507.93 | |
| | 01/10/2019 | Positive Ideas Co | P4-SUPPORT COSTS:Internet Services | R | 9.00 | | 6,498.93 | website |
| | 08/10/2019 | HRise Investm... | A2-ASSETS & INV.Sale of Investments | R | | 1,827.80 | 8,326.73 | State of GetFit Bicycles |
| | 08/10/2019 | Just Sandwiches | A3.2-ACTIVITIES-(RF)BE-Project Costs | R | 167.52 | | 8,159.21 | Partners' meeting |
| | 08/10/2019 | J Pugh | P4-SUPPORT COSTS:Meetings | R | 5.60 | | 8,153.61 | Strategic Plan meeting |
| CdCd | 14/10/2019 | HSBC | P4-SUPPORT COSTS:Financial Services | R | 32.00 | | 8,121.61 | Annual fee |
| CdCd | 14/10/2019 | Leon Kings Cross | P4-SUPPORT COSTS:Meetings | R | 20.00 | | 8,101.61 | Strategic planning |
| | 15/10/2019 | HMRC | P4-SUPPORT COSTS:Salaries | R | 320.56 | | 7,775.05 | PAY&NICs |
| CdCd | 17/10/2019 | Friends' House | A3.2-ACTIVITIES-(RF)HM-Project Costs | R | 6.70 | | 7,768.35 | Staff lunch |
| Payroll.n | 20/10/2019 | R Badgwick | T-INTERNAL TRANSFERS: Creditor-HMRC | R | | 94.00 | 7,862.35 | Employee PAY&NIC d |
| Payroll.n | 20/10/2019 | R Badgwick | T-INTERNAL TRANSFERS: Creditor-NEST | R | | 17.67 | 7,880.02 | Employee pension cont |
| Payroll.g | 20/10/2019 | R Badgwick | A3.2-ACTIVITIES-(RF)SaH-Staff Costs | R | 1,046.66 | | 6,833.36 | Gross salary |
| | 22/10/2019 | Friends' House | A3.2-ACTIVITIES-(RF)HM-Project Costs | R | 917.20 | | 5,916.16 | Room hire |
| CdCd | 24/10/2019 | Safety in London | P4-SUPPORT COSTS:Meetings | R | 30.00 | | 5,886.16 | R Badgwick Conf Attenu |
| | 28/10/2019 | Post Office | P4-SUPPORT COSTS:Office Costs | R | 56.00 | | 5,830.16 | Stamps & postage |
| | 29/10/2019 | J Pugh | A3.2-ACTIVITIES-(RF)BE-Staff Costs | R | 978.54 | | 4,851.62 | Contract fee |
| | 03/11/2019 | Positive Ideas Co | P4-SUPPORT COSTS:Internet Services | R | 9.00 | | 4,842.62 | website |
| | 13/11/2019 | J Pugh | A3.2-ACTIVITIES-(RF)HM-Project Costs | R | 2.80 | | 4,839.82 | travel expenses |
| AdvExp | 19/11/2019 | Friends' House | P9-OTHER PAYMENTS:Payments in Advance | R | 500.00 | | 4,339.82 | Deposit, Hall Hire, Feb |
| Payroll.n | 20/11/2019 | R Badgwick | T-INTERNAL TRANSFERS: Creditor-HMRC | R | | 94.00 | 4,433.82 | Employee PAY&NIC d |
| Payroll.n | 20/11/2019 | R Badgwick | T-INTERNAL TRANSFERS: Creditor-NEST | R | | 17.67 | 4,451.49 | Employee pension cont |
| Payroll.g | 20/11/2019 | R Badgwick | A3.2-ACTIVITIES-(RF)SaH-Staff Costs | R | 1,046.66 | | 3,404.83 | Gross salary |
| | 25/11/2019 | Post Office | P4-SUPPORT COSTS:Office Costs | R | 59.00 | | 3,345.83 | Stamps & postage |
| | 26/11/2019 | J Pugh | A3.2-ACTIVITIES-(RF)BE-Staff Costs | R | 928.22 | | 2,417.61 | Contract fee |
| | 01/12/2019 | Transfer from De... | T-Transfer To Bank | R | | 7,000.00 | 9,417.61 | |
| | 01/12/2019 | Positive Ideas Co | P4-SUPPORT COSTS:Internet Services | R | 9.00 | | 9,408.61 | website |
| | 01/12/2019 | Office Unlimited | P4-SUPPORT COSTS:Office Costs | R | 750.00 | | 8,658.61 | Rent Dec-Feb |
| | 04/12/2019 | HMRC | A1.1-VOLUNTARY INCOME Gift Aid | R | | 975.00 | 9,633.61 | |

Software applications designed for the domestic/home market, do make much better use of relational database technology to make them simpler and more intuitive to use by the non-accountant “people on the Clapham omnibus” (*eg*: small charities and their trustees, supporters and staff).

The illustration {*left*} shows the data in Small Charity Support’s example spreadsheet {*as illustrated in the Appendix*} transferred to the “[Ace Money](#)” home finance software.

But, equally unfortunately, none have yet been given the relatively simple adaptations to make

them more appropriate for the charity sector. *eg*:

- # the inclusion of additional #-tags to identify different funds (*eg*: restricted, endowment & designated funds in the case of small charities);
- # a more detailed #-tags identification of transaction “Cash” dates to enhance the ability to produce reports on both “Accruals” and “R&P(“Cash”)” bases from the one set of transactions data;
- # include built-in templates to produce outputs ready to copy & paste into the charity’s Trustees’ Annual Financial Reports, whether produced on the Accruals or R&P(“Cash”)” bases – or both simultaneously.

To Accrue or Not To Accrue

Small Charity Support has therefore opted both to Accrue and NOT to Accrue – *ie*:

- ✓ it prepares its Trustees Annual Financial Reports on the R&P(“Cash”)” basis to meet its statutory obligation to submit to the Charity Commission;
- ✓ it records, reports and manages its day-to-day financial activities throughout the year on an Accruals basis.

Trustees of other charities with annual incomes less than £250,000 might wish to do the same.

However, for charities where producing their TAFR on an “Accruals” basis is specified by their governing document, that would require the governing document to be appropriately amended.

But for charities which are also registered as companies (*ie*: by a Memorandum & Articles of Association at Companies House) that would require applying to re-register the charity as a Charitable Incorporated Organisation (CIO) with the Charity Commission.

Some Pragmatic Ways to Mitigate R&P(“Cash”) Reporting Distortions

To avoid misunderstandings or confusion, Small Charity Support has taken some pragmatic steps to eliminate or mitigate the unnecessary distortions inherent in preparing its Trustees Annual Financial Report on the R&P(“Cash”)” basis for statutory submission to the Charity Commission (and public Register of Charities).

Encourage Trustees, Volunteers, Staff and others to submit their claims for reimbursement of expenses early (*ie*: well in advance of the end of the financial period) – *ie*: by explaining clearly the reporting implications of not doing so.

Change the Charity's Financial Reporting Period

It is often thought – mistakenly – that a charity's financial reporting period must be either the calendar year (January-December) or the financial year (April-March).

NOT TRUE !

The financial year can be anything that the trustees feel is appropriate to, and in the best interest of, their charity and its activities. *eg:*

- ☺ charities which have big activities around Christmas and New Year, or operate to the "School Year" (*ie:* are "quiet" during the summer) could change their financial period to run from 1st August – 31st July;
- ☺ charities which are busy during the summer, but want to avoid the "distractions" of Christmas & New Year, could change their financial year to 1st June – 31st May, or 1st November – 31st October.

Include Explanatory Notes on an Accruals Basis for Specific Events

Sometimes it is impractical to contain all the financial transactions for a specific event within the financial period when the event occurred. However, the Charity Commission [guidance for R&P\("Cash"\) reporting](#) is explicit:

"There is no statutory format for receipts and payments accounts in England and Wales."

In other words, provided that all the requirements in the guidance for financial reporting have been met in a TAFR prepared on the R&P("Cash"), there is no reason why it cannot also include some additional financial notes prepared on an Accruals basis to explain/clarify any distortions created because some of the "Accrual" and "Cash" dates of transactions fell in different periods: *ie: ad hoc* notes in which ALL the receipts and payments relating to that event are reported together as if they had occurred in the SAME financial period.

The Proof of the Pudding.....

Anyone can criticise.

But criticism is only justified and relevant when it is constructive

ie: includes pragmatic and validated alternative solutions.

The above suggestions are based on Small Charity Support' experiences learned from developing its "[Charity Accounts Made Easy](#)"© spreadsheet, and its use – successfully ☺ {and, occasionally, not so successfully ☹} – over the last decade by numerous small charities preparing their Annual Financial Reports on both the Accruals and the R&P ("Cash") bases and in compliance with Charity Commission guidance.

The spreadsheet – described in more detail in the [Appendix](#) – credibly demonstrates, using authentic (anonymised) data from "real life small charity users":

- ✓ that the above proposals are pragmatic and function effectively to enable small charities, with predominantly volunteer non-accountant trustees, supporters & staff to prepare their Trustees Annual Financial Reports simply and in compliance with Charity Commission guidance and bench-mark standards;
- ✓ that traditional "Double-Entry Bookkeeping" is now obsolete, making its continued use an obstacle to the preparation of meaningful financial reports for the **E**fficient, **E**ffective & **E**conomic (and **E**thical & **E**cological) management of a charity to deliver value-for-money for both its beneficiaries and its donors & supporters;
- ✓ that modern computerised relational database management, using hash-tagging rather than physical location to identify the significance of data items, both significantly increases the scope of recording & reporting of financial data whilst, at the same time, not only makes the collection and use of such data much quicker and simpler but also more sophisticated and intuitive;
- ✓ that financial reports and analyses can be made from one set of coherent, comprehensive and simple transactions data in both an "Accruals" and/or a "R&P("Cash")" formats simultaneously and in real time – *ie:* updated automatically as new transactions data are entered.

Trustees will need to come to their own conclusions about whether these proposals – and the "Charity Accounts Made Easy" spreadsheet – are appropriate for their own charity.

ADDED are 2 columns for tags for information which is not collected in this way in traditional bookkeeping:

1. **Fund:** this Column-D allows the basic transaction information also to be tagged with the fund to which the transaction relates. This is essential in charity “accounts” to enable income and expenditure to be attributed to specific restricted funds for subsequent reporting.

It can also be used to tag expenditure from unrestricted designated funds.

Note: in this example the absence of a tag in the Fund column identifies the transaction as being from the General Fund;

2. **CD (Cash Date):** this Column-H allows the basic transaction information also to be tagged with the date on which the payment was actually made (*ie:* the “Cash” date) **IN ADDITION** to the date on which the transaction was committed (*ie:* the “Accrual” date) in Column-A.

| Better Living {Example} | | | | | | Bank Transactions, FYE: 31-Dec-19 | | | |
|-------------------------|-----------|-------------------------|----------------|----------------------|----------------------------------|-----------------------------------|----|----------|--|
| Date | Ref | Category | Fund | Payee/Payer | Comment | Amount | CL | Balance | |
| 01-Oct-19 | | _P4-Internet Services | | Positive Ideas Co | website | -9.00 | 10 | 6,198.93 | |
| 01-Oct-19 | | _R1-Donations | | The Law Society | | 300.00 | 10 | 6,498.93 | |
| 08-Oct-19 | | _P3-BE-Project Costs | Better Eating | Just Sandwiches | Partners' meeting | -167.52 | 4 | 6,331.41 | |
| 08-Oct-19 | | _P4-Meetings | | J Pugh | Strategic Plan meeting + Board r | -5.60 | 10 | 6,325.81 | |
| 08-Oct-19 | | _R9-Sale of Investments | | HiRise InvestmntMgmt | Sate of GetFit Bicycles | 1,827.80 | 12 | 8,153.61 | |
| 14-Oct-19 | CdCd | _P4-Financial Services | | HSBC | Annual fee | -32.00 | 10 | 8,121.61 | |
| 14-Oct-19 | CdCd | _P4-Meetings | | Leon Kings Cross | Strategic planning | -20.00 | 10 | 8,101.61 | |
| 15-Oct-19 | | _P4-Salaries | | HMRC | PAYE/NICS | -326.56 | 10 | 7,775.05 | |
| 17-Oct-19 | CdCd | _P3-HM-Project Costs | Health Matters | Friends' House | Staff lunch | -6.70 | 10 | 7,768.35 | |
| 20-Oct-19 | Payroll-g | _P3-SaH-Staff Costs | Safe At Home | R Badgwick | Gross salary | -1,046.66 | 10 | 6,721.69 | |
| 20-Oct-19 | Payroll-n | _Agency-HMRC | | R Badgwick | Employee PAYE&NIC deduction | 94.00 | 10 | 6,815.69 | |
| 20-Oct-19 | Payroll-n | _Agency-NEST | | R Badgwick | Employee pension contribution | 17.67 | 10 | 6,833.36 | |
| 22-Oct-19 | | _P3-HM-Project Costs | Health Matters | Friends' House | Room hire | -917.20 | 10 | 5,916.16 | |
| 24-Oct-19 | CdCd | _P4-Meetings | | Safety in London | R Badgwick Conf.Attendance | -30.00 | 11 | 5,886.16 | |
| 28-Oct-19 | | _P4-Office Costs | | Post Office | Stamps & postage | -56.00 | 10 | 5,830.16 | |
| 29-Oct-19 | | _P3-BE-Staff Costs | Better Eating | J Pugh | Contract fee | -978.54 | 11 | 4,851.62 | |

Using Virtual Tags to Analyse & Report Financial Activity by Filtering.

The “filter” facility in MS-Excel® allows transactions against a specific category (or categories) to be selected for review – in the example below, expenditure on “Meetings” has been selected from just the October transactions.

| Better Living {Example} | | | | | | Bank Transactions, FYE: 31-Dec-19 | | | |
|-------------------------|-----------|-------------------|------|------------------|-----------------------------------|-----------------------------------|----|----------|--|
| Date | Ref | Category | Fund | Payee/Payer | Comment | Amount | CL | Balance | |
| 172 | 08-Oct-19 | _P4-Meetings | | J Pugh | Strategic Plan meeting + Board me | -5.60 | 10 | 6,325.81 | |
| 175 | 14-Oct-19 | CdCd _P4-Meetings | | Leon Kings Cross | Strategic planning | -20.00 | 10 | 8,101.61 | |
| 182 | 24-Oct-19 | CdCd _P4-Meetings | | Safety in London | R Badgwick Conf.Attendance | -30.00 | 11 | 5,886.16 | |

Moreover, the filter facility is not restricted to just the “Categories” tag, or even to single tags. It can be applied to any combination of the entries in any of the columns throughout the entire financial reporting period.

| Better Living {Example} | | | | | | Bank Transactions, FYE: 31-Dec-19 | | | |
|-------------------------|-----------|--------------|------|-------------|--------------------------------|-----------------------------------|----|----------|--|
| Date | Ref | Category | Fund | Payee/Payer | Comment | Amount | CL | Balance | |
| 42 | 04-Feb-19 | _P4-Meetings | | A Lewis | Board meeting refreshments | -36.03 | 2 | 7,220.55 | |
| 112 | 18-Jun-19 | _P4-Meetings | | A Lewis | Board meeting expenses | -64.55 | 7 | 2,889.08 | |
| 120 | 23-Jun-19 | _P4-Meetings | | A Lewis | Refreshments for Board meeting | -55.11 | 7 | 5,346.59 | |
| 141 | 14-Aug-19 | _P4-Meetings | | A Lewis | Trustees' fundraising meeting | -50.33 | 9 | 4,616.74 | |

The inclusion of the CD (“Cash” date) column is particularly useful.

In the example version of the spreadsheet for the “Better Living” charity the “Cash Date” tag is simply the month number (*ie:* 1-12) of the financial year in which the payment of the transaction actually appeared in the bank statement. It is therefore “Blank” for transactions which had not yet been paid at the date of the report. Filtering for those transactions where “CD” is “Blank” is therefore a quick and easy way to monitor for outstanding payments at any point in time for effective monitoring and management of cash-flow.

| Better Living {Example} | | | | | | Bank Transactions, FYE: 31-Dec-19 | | | |
|-------------------------|-----------|--------------------------|----------------|-------------------|--------------------------------|-----------------------------------|----|-----------|--|
| Date | Ref | Category | Fund | Payee/Payer | Comment | Amount | CL | Balance | |
| 161 | 23-Sep-19 | _P4-Independent Examiner | | AN Accountant | Independent Examination | -250.00 | | 10,605.39 | |
| 186 | 13-Nov-19 | _P3-HM-Project Costs | Health Matters | J Pugh | travel expenses | -2.80 | | 4,839.82 | |
| 196 | 04-Dec-19 | _R1-Gift Aid | | HMRC | | 975.00 | | 9,633.61 | |
| 197 | 12-Dec-19 | _R2T-Sale of Shop Items | | Barry Driver | Purchase of Home Safety Manual | 12.50 | | 9,646.11 | |
| 200 | 19-Dec-19 | _P2-Networking | | GoodFood Caterers | Catering - Christmas Event | -450.00 | | 4,930.61 | |
| 201 | 19-Dec-19 | _P2-Networking | | Trinity Church | Room hire - Christmas Event | -300.00 | | 4,630.61 | |
| 207 | 29-Dec-19 | _P3-BE-Staff Costs | Better Eating | J Pugh | Contract fee | -984.92 | | 3,270.70 | |
| 208 | 30-Dec-19 | HMRC _Agency-HMRC | | Payment to HMRC | Employee's PAYE+NIC Payments | -282.00 | | 2,988.70 | |
| 209 | 30-Dec-19 | NEST _Agency-NEST | | Payment to NEST | Employee's Payments | -53.01 | | 2,935.69 | |
| 210 | 30-Dec-19 | NEST _P3-SaH-Staff Costs | Safe At Home | Payment to NEST | Employer's contribution | -53.01 | | 2,882.68 | |
| 211 | | | | | | | | | |

Note that all of the above illustrations of reviewing/analysing a charity’s financial transactions clearly and unequivocally demonstrate how tagged virtual records in a relational database allow all the routine day-to-day

monitoring and control of its cash flow and financial status can be carried using just a few “clicks of a button” within a single simple table. That not only makes the **EE&E** monitoring and management of their charity’s finances much simpler and more intuitive for the typical non-accountant trustees of small charities. It also makes the recording of financial transactions MUCH simpler (just 8 data items in one coherent table) for charity admin staff/volunteers, thereby avoiding any requirement for special training in the more complicated procedures of traditional double-entry bookkeeping.

Using Virtual Tags to Analyse & Report Financial Activity by Formulae.

The use of RDB tagging is not confined just to on-screen filtering of data for *ad hoc* review and analysis. RDB tags can also be incorporated into spreadsheet formulae to allow frequently required analyses of the charity’s financial activities to be pre-programmed to calculate and present reports IN REAL TIME – *ie*: as new transactions are added or existing transactions are updated.

This is also illustrated by the Small Charity Support spreadsheet.

| Better Living (Example) | | | | | | Bank Transactions, FYE: 31-Dec-19 | | | J | K | L |
|-------------------------|--------|---------------------------|--------------|-------------------|---------------------------------|-----------------------------------|----|-----------------|----------------------|--------------------|---------------------------|
| Date | Ref | Category | Fund | Payee/Payer | Comment | Amount | Cl | Balance | Balance at 30-Dec-19 | Reconciled Balance | Unreconciled Transactions |
| 31-Dec-18 | | | | | | | | Brought Forward | 5,702.32 | | |
| 05-Dec-18 | | P9-Purchase of Assets | | PC World | Computer & Printer | -1,299.00 | 1 | 4,403.32 | Acc1 | Receipts | 41,655.92 |
| 12-Dec-18 | | R1-Gift Aid | | HMRC | | 845.00 | 2 | 5,248.32 | | Payments | -46,987.32 |
| 18-Dec-18 | | R4G-Miscellaneous | | Barry Driver | Purchase of Good Eating Recipe | 33.20 | 1 | 5,281.52 | | Debtors | 987.50 |
| 19-Dec-18 | | P2-Volunteer Costs | | GoodFood Caterers | Christmas Event - Catering | -200.00 | 1 | 5,081.52 | | Creditors | -2,375.74 |
| 19-Dec-18 | | P2-Volunteer Costs | | Trinity Church | Christmas Event - Room hire | -100.00 | 1 | 4,981.52 | | Trfrs In | 14,000.00 |
| 22-Dec-18 | | P4-Office Costs | | OfficeSafe | Rent | -240.00 | 1 | 4,741.52 | | Trfrs Out | -10,100.00 |
| 27-Dec-18 | | P4-Salaries | | A.Dunswick | Contract fee | -771.64 | 1 | 3,969.88 | | Brought Forward | |
| 27-Dec-18 | | P4-Salaries | | P.Jameson | Contract fee | -725.50 | 1 | 3,244.38 | | Debtors | 878.20 |
| 28-Dec-18 | | P3-SaH-Staff Costs | Safe At Home | J Pugh | Contract fee | -962.88 | 1 | 2,281.50 | | Creditors | -4,299.02 |
| 01-Jan-19 | AdvExp | P2-Networking | | Friends' House | Deposit, Venue, Feb Conf | -400.00 | 1 | 1,881.50 | | | |
| 01-Jan-19 | AdvExp | P8-Expenditure In Advance | | Friends' House | Advance Deposit, Venue, Feb Cor | 400.00 | 1 | 2,281.50 | | | |
| 01-Jan-19 | AdvRec | R4G-ConfRegistrations | | Various | Advance Registrations, Feb Conf | 200.00 | 1 | 2,481.50 | | | |
| 01-Jan-19 | AdvRec | R8-Income In Advance | | Various | Registrations, Feb Conf | -200.00 | 1 | 2,281.50 | | | |

The cells in columns J, K & L at the top of the worksheet use formulae to aggregate and report a variety of common financial management/control parameters on both an “Accrual” and “R&P(Cash)” basis simultaneously.

Row-2 shows:

- (J) the accrued balance (after all commitments have been paid);
- (K) the reconciled cash balance (the amount actually in the account at the date of the report); *and*
- (L) the difference between the two (*ie*: the aggregate of debtors & creditors);

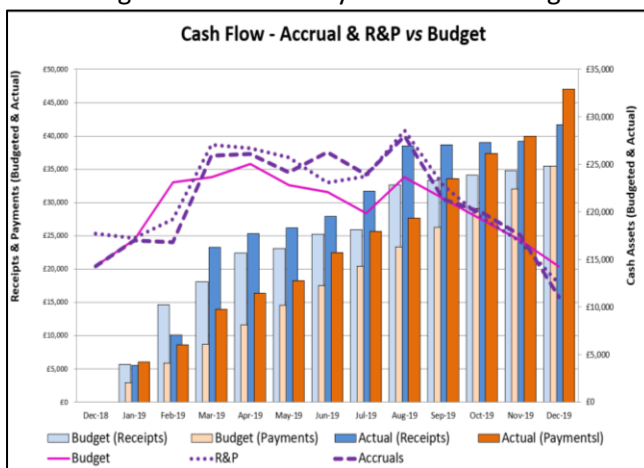
Then in column L subsequent rows show:

- (3&4) the total actual (reconciled) receipts & payments to date;
- (5&6) the outstanding (unreconciled) receipts & payments to date;
- (7&8) internal transfers – *eg*: where the charity has separate deposit, petty cash, PayPal, etc. accounts;
- (10&11) outstanding (accrued) transactions from the previous financial period where the payment had been received in the current financial period.

The summaries are automatically updated in “real time” as new transactions are added or existing transactions are updated. *ie*: they are, effectively, an automatic integral “Balance Sheet” within the records of transactions, requiring no additional actions (and, therefore, no additional skills) by the person entering the data.

Nor is the use of tags in formulae limited to just the worksheet holding the original data records. The Small Charity Support example spreadsheet show how formulae can also be used to create instant “real time” Budget Reports and Cash Flow Reports to support the **EE&E** monitoring and management of a charity’s finances throughout the year.

| Better Living (Example) | | Budget Report: 31-Dec-19 | | | | |
|-------------------------------|------------------|--------------------------|---------------------|------------------|---------------------|--|
| | Five Yr Out-lets | This Yr Budget | Budget to 31 Dec-19 | R&P to 31 Dec-19 | Actual to 31 Dec-19 | |
| RECEIPTS | | | | | | |
| VOLUNTARY INCOME | | | | | | |
| Membership | 3,357 | 2,500 | 2,500 | 2,500 | 2,500 | |
| Donations | 5,933 | 3,000 | 3,000 | 3,064 | 3,064 | |
| GR Aid | 1,873 | 800 | 800 | 845 | 875 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| | 11,163 | 6,300 | 6,400 | 6,459 | 6,589 | |
| INCOME GENERATION | | | | | | |
| Fundraising | | | | | | |
| Fundraising | 156 | 100 | 100 | 0 | 0 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| Charitable Trading | | | | | | |
| Sale of Shop Items | 0 | 0 | 0 | 0 | 4 | |
| Receipts from Services | 0 | 0 | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| Other | | | | | | |
| Interest on Accounts | 0 | 0 | 0 | 52 | 52 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| | 156 | 100 | 100 | 52 | 55 | |
| INVESTMENT INCOME | | | | | | |
| Income from Investments | 1,573 | 5,000 | 5,000 | 1,986 | 1,986 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| | 1,573 | 5,000 | 5,000 | 1,986 | 1,986 | |
| CHARITABLE INCOME | | | | | | |
| GENERAL FUNDS | | | | | | |
| ConfRegistrations | 0 | 0 | 0 | 1,350 | 1,350 | |
| Miscellaneous | 0 | 0 | 0 | 33 | 0 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| | 0 | 0 | 0 | 1,383 | 1,350 | |
| RESTRICTED FUNDS | | | | | | |
| SafeAtHome | 8,000 | 11,250 | 11,250 | 11,832 | 11,832 | |
| ButterCatering | 15,000 | 8,500 | 8,500 | 8,500 | 8,500 | |
| HealthStarters | 6,000 | 4,000 | 4,000 | 3,965 | 3,965 | |
| Other | 0 | 0 | 0 | 0 | 0 | |
| | 29,000 | 23,750 | 23,750 | 24,238 | 24,238 | |
| Sub-total - Charitable Income | 29,000 | 23,750 | 23,750 | 25,621 | 25,588 | |



The use of tags in formulae also allows the charity's Annual Financial Reports to be created **simultaneously** in **BOTH** Receipts & Payments **AND** Accruals formats directly **from the same** 8-columns of transactions records, ready for the appropriate version to be copied and pasted directly into the charity's Trustees' Annual Report.

Receipts & Payments ("Cash") Format, CC16

| | Current Financial Year, Jan'19-Dec'19 | | | Last Year Total £ |
|--------------------------------------|---|-----------------------|----------------|----------------------|
| | Unrestr'd Funds £ | Restricted Funds £ | Total £ | |
| | Receipts & Payments for the Financial Year Ended 31-Dec-19 | | | |
| 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 | -28,955 | -30,670 | -37,413 |
| Support Costs | -7,565 | | -7,565 | -6,632 |
| Other Payments | -100 | | -100 | 0 |
| | -9,729 | -28,955 | -38,685 | -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 | -28,955 | -45,391 | -44,370 |
| NET OF RECEIPTS-PAYMENTS | -906 | -4,717 | -5,624 | -2,478 |
| A5 - Transfers Between Funds | -183 | 183 | 0 | 0 |
| NET AFTER TRANSFERS | -1,089 | -4,534 | -5,624 | -2,478 |

Accruals (FRS-102 + SORP) Format, CC17

| | Current Financial Year, | | | Last Year Total £ |
|---|--|-----------------|----------------|----------------------|
| | Unrestr'd £ | Restricted £ | Total £ | |
| | Statement of Financial Activity, Financial Year Ended 31-Dec-19 | | | |
| INCOMING RESOURCES | | | | |
| Donations & legacies | 6,589 | | 6,589 | 11,163 |
| Charitable activities | 1,350 | 24,238 | 25,588 | 24,238 |
| Other trading activities | 55 | | 55 | 55 |
| Investments | 1,986 | | 1,986 | 1,573 |
| Separate material items of interest | 0 | | 0 | |
| Other | 160 | 0 | 160 | 0 |
| TOTAL INCOME | 10,140 | 24,238 | 34,378 | 37,029 |
| RESOURCES EXPENDED | | | | |
| Raising funds | 90 | 0 | 90 | -325 |
| Charitable activities | -2,165 | -29,033 | -31,198 | -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 | -15,794 | -29,033 | -44,827 | -52,200 |
| Net income-expenditure | -5,654 | -4,795 | -10,449 | -15,171 |
| <i>before gains/losses on investments</i> | | | | |
| Net gains/losses on investments | -28 | 0 | -28 | 0 |
| NET INCOME-EXPENDITURE | -5,681 | -4,795 | -10,477 | -15,171 |
| Extraordinary Items | <i>Generally not applicable to small charities</i> | | | |
| Transfers Between Funds | -183 | 183 | 0 | 0 |
| Other recognised gains/losses | <i>Generally not applicable to small charities</i> | | | |
| NET MOVEMENT IN FUNDS | -5,864 | -4,612 | -10,477 | -15,171 |

Allocation of Actual Funds for the Financial Year To 31-Dec-19

| | Current Financial Year, | | | Last Year Total £ |
|---|-------------------------|-----------------------|---------------|----------------------|
| | Unrestr'd Funds £ | Restricted Funds £ | Total £ | |
| Allocation of Actual Funds for the Financial Year To 31-Dec-19 | | | | |
| Actual Funds Brought Forward | 10,089 | 7,651 | 17,740 | 20,218 |
| Movement After Transfers | -1,089 | -4,534 | -5,624 | -2,478 |
| Total Funds Carried Forward | 9,000 | 3,116 | 12,116 | 17,740 |

Reconciliation of Net Funds, Financial Year To 31-Dec-19

| | Current Financial Year, | | | Last Year Total |
|---|-------------------------|--------------|---------------|--------------------|
| | Unrestr'd | Restricted | Total | |
| Reconciliation of Net Funds, Financial Year To 31-Dec-19 | | | | |
| Net Funds Brought Forward | 68,181 | 6,688 | 74,869 | 74,031 |
| Movement After Transfers | -5,864 | -4,612 | -10,477 | 838 |
| Total Funds Carried Forward | 62,317 | 2,076 | 64,392 | 74,869 |

Statement of Asset & Liabilities as at 31-Dec-19

| | Current Financial Year, | | | Last Year Total £ |
|---|-------------------------|-----------------------|---------------|----------------------|
| | General Funds £ | Restricted Funds £ | Total £ | |
| Statement of Asset & Liabilities as at 31-Dec-19 | | | | |
| B1 - Cash Assets | | | | |
| General Fund | 9,043 | | 9,589 | 9,589 |
| Net Payments in Advance | -140 | | -200 | -200 |
| Designated Funds | | | | |
| IT-Replacements | 232 | | 500 | 500 |
| Transport | 200 | | 200 | 200 |
| Other | 0 | | 0 | 0 |
| Total Unrestricted Funds | | | 9,335 | 10,089 |
| Restricted Funds | | | | |
| Safe At Home | | 982 | 1,998 | 1,998 |
| Better Eating | | 985 | 5,385 | 5,385 |
| Health Matters | | 1,149 | 268 | 268 |
| Total Restricted Funds | | | 3,116 | 7,651 |
| Current Total Cash Assets | | | 12,451 | 17,740 |
| Money Held as Agent (eg: HMRC, NEST) | | | 335 | 0 |
| Current Charitable Cash Assets | | | 12,116 | 17,740 |
| B2 - Money Owed to the Charity (Other Monetary Assets) | | | | |
| Gift Aid claim | | | 0 | 0 |
| Other | | | 988 | 878 |
| | | | 988 | 878 |
| B5 - Money Owed by the Charity (Liabilities) | | | | |
| Independent Examination Fee | | | -250 | 0 |
| Other | | | -1,791 | -4,299 |
| | | | -2,041 | -4,299 |
| Charitable Cash Assets (Net of Liabilities) | | | 11,063 | 14,319 |
| B3 - Investment assets | | | | |
| | 38,089 | | 38,089 | 39,399 |
| B4 - Assets retained for charity's own use. | | | | |
| Fixed Assets | 14,809 | | 14,809 | 21,151 |
| Stocks of Goods for Sale | 431 | | 431 | 0 |
| Total Current Funds | | | 65,446 | 78,290 |
| Total Funds (net of liabilities) | | | 64,392 | 74,869 |

Balance Sheet as at 31-Dec-19

| | Current Financial Year, | | | Last Year Total £ |
|--|-------------------------|--------------|---------------|----------------------|
| | Unrestr'd | Restricted | Total £ | |
| Balance Sheet as at 31-Dec-19 | | | | |
| Fixed Assets | | | | |
| Intangible assets | 0 | 0 | 0 | 0 |
| Tangible assets | 14,809 | 0 | 14,809 | 21,151 |
| Heritage assets | 0 | 0 | 0 | 0 |
| Investments | 38,089 | 0 | 38,089 | 39,399 |
| Total fixed assets | 52,898 | 0 | 52,898 | 60,550 |
| Current Assets | | | | |
| Cash at bank and in hand | 9,335 | 3,116 | 12,451 | 17,740 |
| Debtors | 988 | 0 | 988 | 878 |
| Stocks | 431 | | 431 | 0 |
| Investments | 0 | | 0 | 0 |
| Total current assets | 10,754 | 3,116 | 13,870 | 18,618 |
| Cash held as agent | 335 | | 335 | 0 |
| Current Charitable Cash Assets | 10,419 | 3,116 | 13,535 | 18,618 |
| Creditors | | | | |
| Due within one yr: | -1,335 | -1,041 | -2,376 | -4,299 |
| Net current cash assets / -liabilities | 9,419 | 2,076 | 11,494 | -4,299 |
| Total assets less current liabilities | 62,317 | 2,076 | 64,392 | 56,251 |
| Due after one yr: | 0 | 0 | 0 | 0 |
| Provision for liabilities | 0 | 0 | 0 | 0 |
| Total net assets or -liabilities | 62,317 | 2,076 | 64,392 | 56,251 |
| Money Owed to the Charity (Other Monetary Assets) | | | | |
| Gift Aid claim | 0 | 0 | 0 | 0 |
| Other | 988 | 0 | 988 | 878 |
| | 988 | 0 | 988 | 878 |
| Money Owed by the Charity (Liabilities) | | | | |
| Agency Funds | -335 | | -335 | 0 |
| Independent Examination Fee | 0 | | 0 | 0 |
| Other | -1,000 | -1,041 | -2,041 | -4,299 |
| | -1,335 | -1,041 | -2,376 | -4,299 |

The spreadsheet is able to create the charity's Annual Financial Reports in both R&P and Accruals formats simultaneously and in real time (ie: automatically as new transactions are entered) in compliance with Charity Commission guidance. That is because the inclusion of both the "Accrual Date" (Column-A) and the "Cash Date" (Column-H) tags enables the spreadsheet formulae to identify which transactions are to be included and which are to be excluded from the calculation of the aggregate totals for each category of report.

The Accrual-date tags (in Column-A) of the first 9 transactions (highlighted in orange) In the above illustration on pg-17, identifies them as having accrued in the previous financial period, *ie*: prior to 1-Jan-19, the start of the current financial period. Accordingly those transactions **are not** included in the Accruals Reports of the charity's financial activities for the current period (other than as outstanding debtors & creditors brought forward). But the Cash-date tags (Column-G) identifies those transactions as having been paid in the current financial period and, accordingly they **are** reported as receipts or payments in the R&P Reports for the current period.

Similarly, the absence of Cash-date tags (in Column-G) of the 10 transactions highlighted in the earlier illustration on pg-16 identifies them as not having been paid in the current financial period. Accordingly they **are not** included in the R&P reports for the current period. But they **are** included in the Accruals reports because their Accrual date tags (Column-A) identifies those transactions as having been accrued in the current period.

That explains why the charity's Receipts & Payments annual "accounts" (*ie*: financial report) differs from its Accruals annual "accounts" even though they are produced from the same financial transactions records.

In essence: the Receipts & Payments "accounts" reported how much real money the charity **actually** held at the end of the financial period being reported, while the Accruals "accounts" reported how much real money the charity had **expected** to hold at the end of the financial year. And in both cases, the reports of any outstanding payments (debtors & creditors in accruals reports – optional in R&P reports) explain why the amount that the charity **actually** held differed from the amount that it had **expected** to hold.

The above illustrations demonstrate unequivocally that recording and tagging financial transactions in a simple 8-column electronic relational database table is fully capable of producing **both all the reports routinely required for the day-to-day management of a small charity's finances in an **EEE** way and the reports required for the end-of-year Trustees Annual Report and Financial Reports in both Receipts & Payments and Accruals formats compliant with Charity Commission standards.**

AND it does so in a way which is significantly simpler and more intuitive for the typical non-accountant volunteer trustees of small charities than traditional (*ie*: coal & water) double-entry bookkeeping methods.

Full details of the structure and operation of the spreadsheet can be found in the 4 Instruction Leaflets on the Small Charity Support "[Charity Accounts Made Easy](#)" webpage.

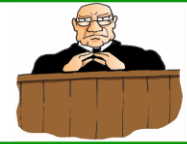
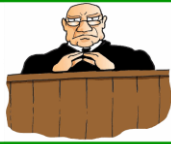
Commercial Note:

The Small Charity Support example spreadsheet illustrated in this leaflet is NOT a commercial product. *ie*: it is not promoted, advertised and sold by Small Charity Support, neither for profit nor as legitimate charitable trading to generate income for the charity.

Instead it is "proof of concept" software – designed and published to demonstrate, using real-life examples, that the principles outlined in this leaflet are pragmatic and effective in practice. It always has been, and always will be, made available to the charity and not-for-profit sector in the internet tradition of open-source freeware for the public benefit.

However, the intellectual property in the spreadsheet has been protected to the maximum extent provided by international copyright and related legislation not for the benefit of Small Charity Support but to prevent its commercial exploitation by others for profit.

For comments or more information on the design concepts and use of the spreadsheet please contact Small Charity Support via: safsc@smallcharitysupport.uk



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