

**Voluntary  
Action  
Islington**

**Children  
England**  
Charities working for  
children and families

# Finance and Fundraising Workshop

Accountability

---

# Contents

- Understanding the funders' requirements
- Project budgets in the context of the organisational budget
- Preparing the project budget to be included in the funding application
- Budget preparation exercise – 5 groups
- Reporting back to funders
- Understanding the organisation's financial statements
- What conclusions do the funders draw from analysing the applicant's financial statements
- What other information do the funders look for

Accountability

---

# Understanding the funder's requirements

Accountability

---

# What is required?

- Read the requirements in the funding application form
  - Ensure that you have all documents that the funder requested
  - You may need to obtain the documents from the Finance or HR department
  - You may need to obtain some documents from Companies House (ie. Certificate of registration , Memorandum and Articles)
  - Ensure you meet the deadline for submitting the application
  - Incomplete applications are likely to be rejected
- Accountability

---

# Project budgets in the context of the organisation

Accountability

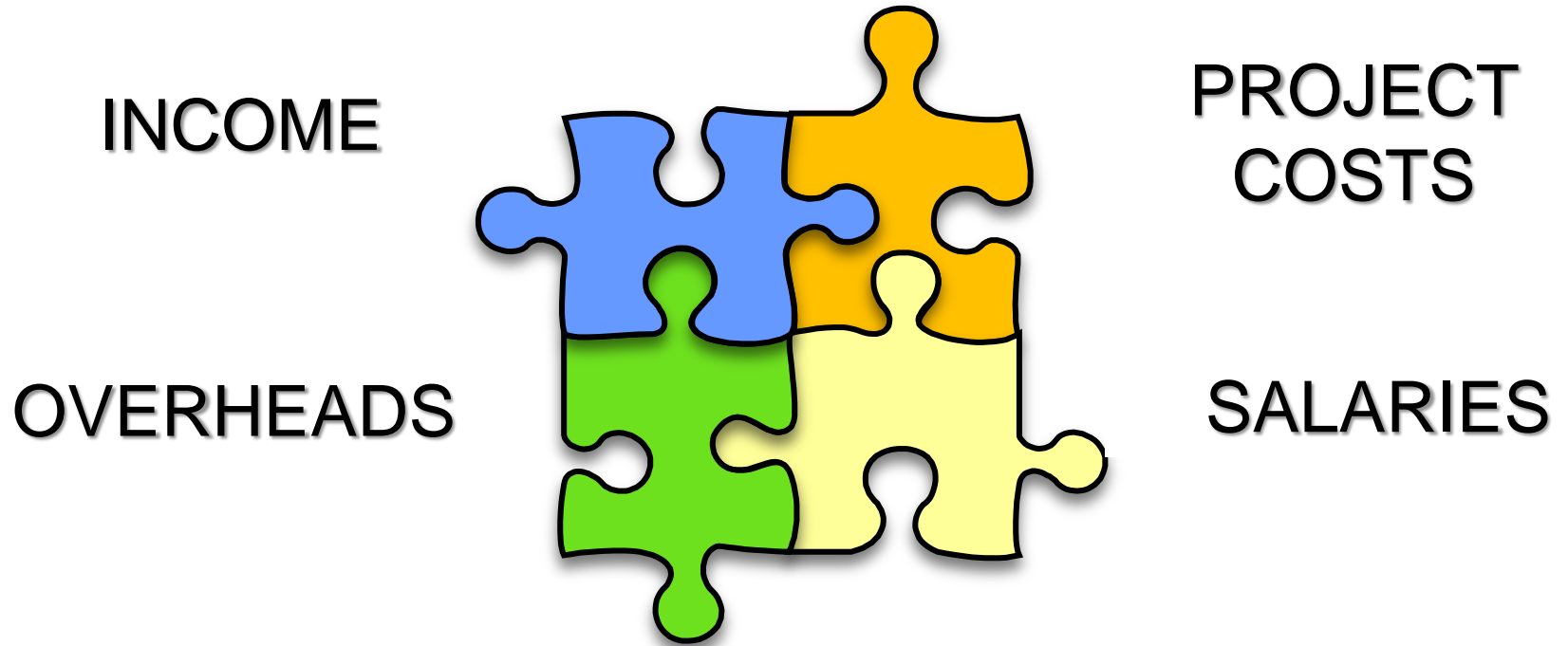
---

A project budget is like a jigsaw puzzle



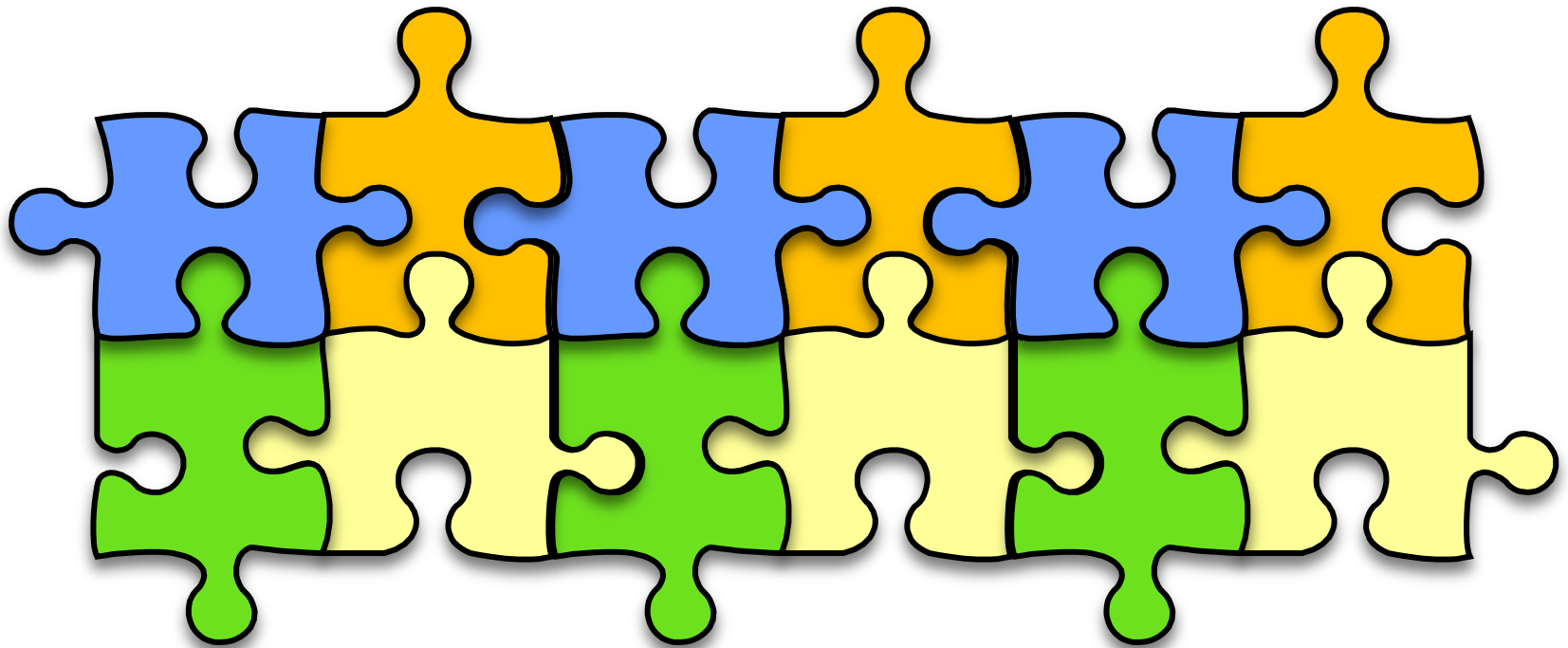
Accountability

# Project Budget



Accountability

The elements of different projects fit together to form the whole organisation



Accountability

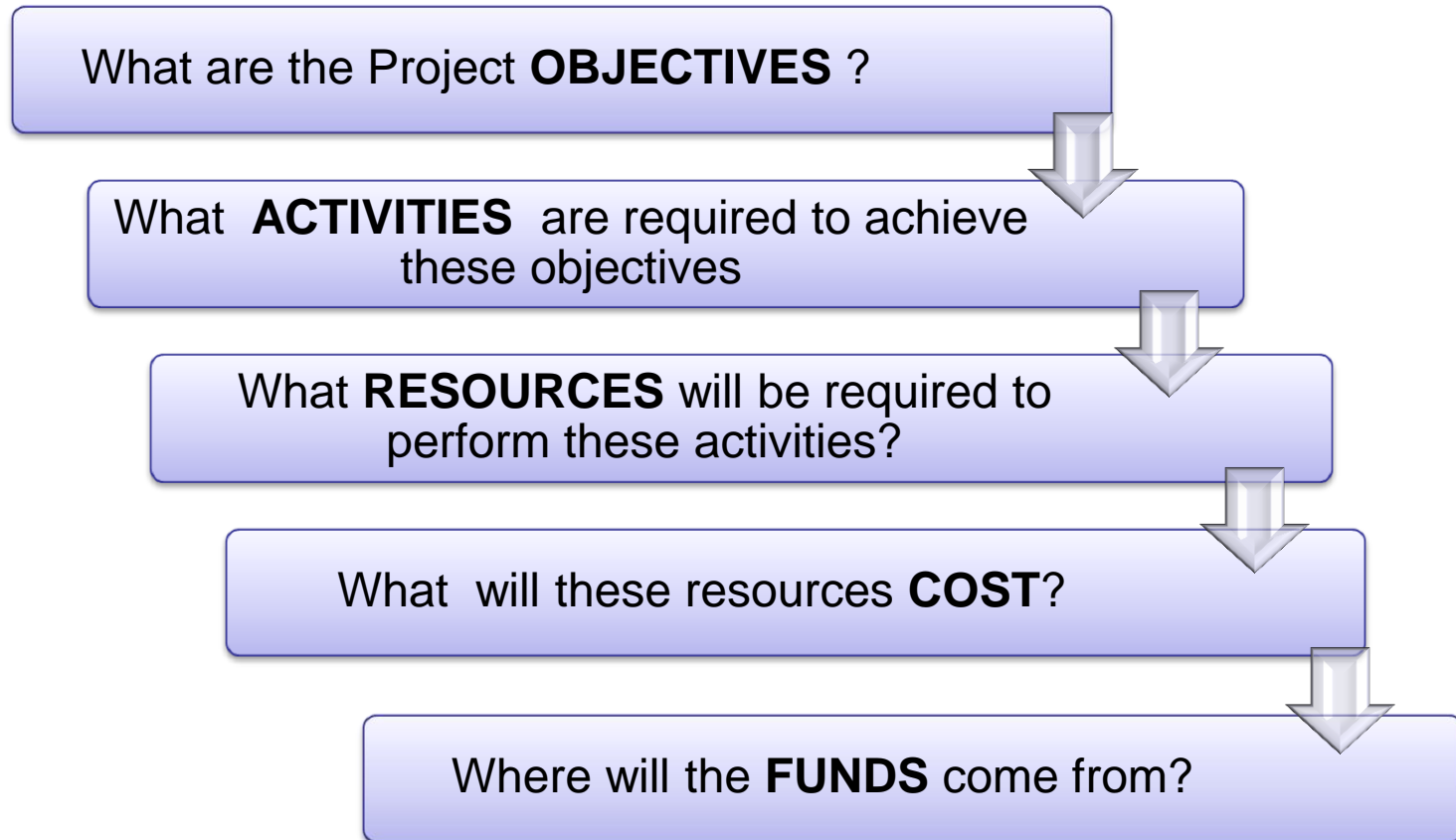
---

# Preparing the project budget

Accountability

---

# Project budgeting process



Accountability

# Project budgeting process

- Clearly outline your assumptions
- Is the project a **regular activity** where most costs can be estimated reliably or is it a **pilot** or **new activity** which may require a contingency built into the budget
- Identify **Variable** and **Fixed Costs** Items
- The challenge of **Overhead or Core costs**
  - Underfunding
  - Under-budgeting
  - Over expenditure on direct project costs
  - Knowing what contributions need to be generated
- Building unrestricted **Reserves**

Accountability

# Preparing a budget for a small project - example

- 6 workshops will be undertaken
- Existing project managers will plan and co-ordinate the projects
- Resources within the charity will be utilised where possible
- Best prices will be obtained from external suppliers

Accountability

---

# Preparing a budget for a small project - example

<b>Project:</b>		<b>Community workshops</b>				
<b>Budget Period:</b>		Six months from - 1 <sup>st</sup> July 2015 – 31 <sup>st</sup> December 2015				
<b>Total Budget</b>		£7,500		<b>Funder</b>		
		<b>Units</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Total Cost</b>	<b>Notes</b>
<b>A</b>	<b>Staff Costs</b>					
	i. Project manager	Hrs	£25	60	£1,500	Staff member
	ii. Interpreter	Hrs	£15	42	£630	Temporary staff
<b>B</b>	<b>Workshop Costs</b>					
	i. Venue	No. Of days	£175	6	£1,050	Local community halls
	ii. Workshop Facilitator	Hrs	£50	18	£900	External supplier
	iii. Refreshments	Cost per head	£10	180	£1,800	30 participants in each workshop
<b>C</b>	<b>Marketing &amp; Publicity</b>					
	i. Leaflets	Item	£100	6	£600	Set price for each workshop
	ii. Newspaper advert	Item	£250	1	£250	One advertisement for all venues
<b>D</b>	<b>Office Overheads</b>				£770	11.5% of direct project costs
	<b>Total cost</b>				£7,500	

# What are overhead costs ?

Total Central Function Costs
Director
Office Manager
Accountancy Support
Staff Training
Staff Travel & subsistence
Recruitment

Total Premises & Office Costs
Rent
Insurance
Stationery & printing
Postage
Advertising & PR
Cleaning
Equipment purchases
IT Costs
Meeting
Subscriptions
Telephone & Fax
Misc Expenses
Depreciation

Total Governance Costs
Annual Report
Audit
Bank Charges
Trustees travel

Accountability

# How to calculate overhead costs

- Know how much your overheads are
- Allocate these to the project
  - Use proportion of income %
  - Use staff time %
  - Use proportion of direct cost %
- The overheads should be about 10-15% of the income or costs of the project.

Accountability

# Budget main points

- The budget provides the framework for incurring expenditure
- You take the initiative to identify costs at the onset
- Do not exceed the total amount allocated to your project – *more on how to monitor this later*

Accountability

# Budget preparation exercise

Accountability

---

---

# Managing Project Budgets and Reporting Back to Funders

Accountability

---

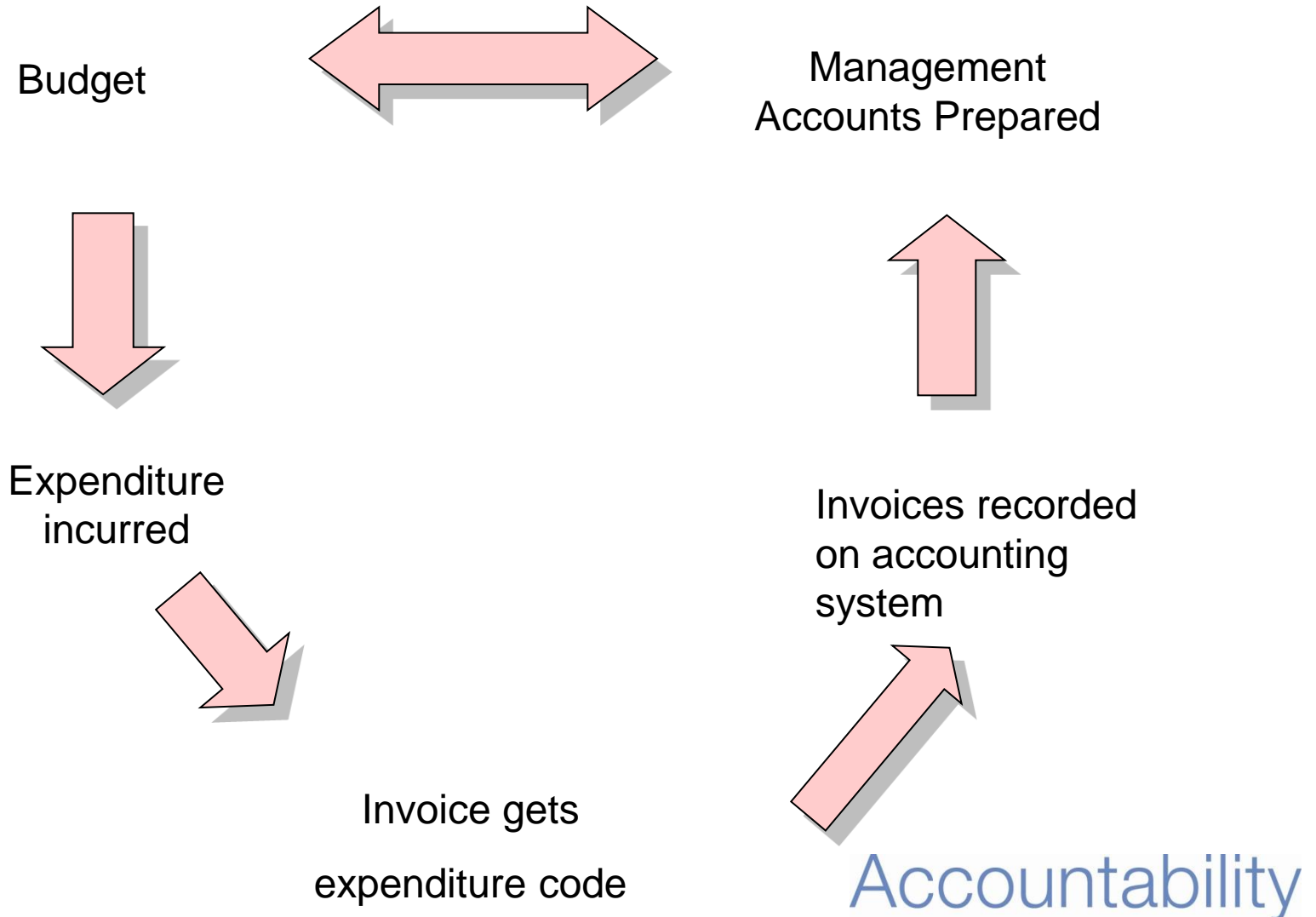
# Financial Reporting

- Why do we need financial reports?
  - Income & expenditure
  - Financial position
  - Cash position
  - Fund position
- Most common reports
  - **Management accounts**
  - Statutory accounts
  - Funder report

Financial reports have to be timely, accurate, relevant. . .

Accountability

# The Budget and the Management Accounts



# Management Accounts

- Management accounts help you **manage the budgets**
  - They **monitor** the actual expenditure
  - They **compare** the actual expenditure with the budget
  - Tell you where you have **underspent/overspent**
- The underspend/overspend is called the **variance**.

Accountability

# Management accounts - Example

Example Charity Management Accounts Period:  
Seven months to October 2014

## Total Organisation

	YTD Actual £	YTD Budget £	YTD Variance £	Annual Budget £
<u>4100- Grants and Donations</u>				
4115- LB Hounslow	33,250	30,479	2,771	52,250
4120 - Ealing C4C	27,750	16,188	11,563	27,750
4125 - Heathrow Community for Youth	6,300	7,350	(1,050)	12,600
4130 - 4G Outreach Project	12,000	7,000	5,000	12,000
4140 -GLV - Team London	200	117	83	200
4145- Grants Events for Youth	3,125	3,281	(156)	5,625
<u>4160- Awards Ceremony</u>				
4161 - Foxtons	3,000	1,750	1,250	3,000
4162 - Sky BSB	2,000	-	2,000	-
4163 - Shepherds Bush Housing	13,000	7,583	5,417	13,000
4164 - British Airways	3,000	1,750	1,250	3,000
<u>4200- Earned Income</u>				
4210- Membership Fees	1,750	1,006	744	1,725
<u>4900- Investment Income</u>				
4910 - Bank Interest	19	17	2	29
Total Income	<b>105,394</b>	<b>76,521</b>	<b>28,873</b>	<b>131,179</b>

- The actual income received is shown by source and type
- The total for the year to date is shown here
- This is compared to the budget for the same period
- Any variance is shown
- The annual budget is also shown for information

Accountability

# Management accounts

Expenditure is shown in  
the same format

Example Charity Management Accounts  
Period: Seven months to October 2014

	Total Organisation			
	YTD Actual £	YTD Budget £	YTD Variance £	Annual Budget £
Expenditure				
<u>7000- Staff Cost</u>				
7010 - Gross Salaries	72,514	77,640	5,126	133,097
7020 - Employers NI	7,309	4,322	(2,987)	7,409
7030 - Employers Pension	736	795	59	1,363
7040 - Staff Training	481	492	11	844
7060 - Recruitment	90	283	193	485
7070 - Staff Travel	129	1,333	1,204	2,285
7090 - Meeting Expenses	25	-	(25)	-
7110 - Finance Support	-	231	231	396
7130 - Volunteer Costs	778	15,666	14,888	26,856
7000 - Staff cost other	23	-	(23)	-
<u>6200 - Core/Project Cost</u>				
6205 - 4G Project	1,608	-	(1,608)	-
6210 - C4C Project	6,100	-	(6,100)	-
6250 - Events for Youth-Heathrow Fund	3,020	-	(3,020)	-
6260 - Awards Ceremony cost	23,332	-	(23,332)	-
6220 - Website	-	859	859	1,473
<u>6400 - Premises Costs</u>				
6400 - Rent	-	3,227	3,227	5,532
6450 - Insurance	-	1,264	1,264	2,166
<u>8000 - Office Costs</u>				
8010- Telephone/Fax	774	806	32	1,381
8020 -Membership Fees/Periodicals	201	175	(26)	300
8030 -Postage & Courier	234	75	(159)	129
8040 - Photocopying/Printing	721	1,050	329	1,800
8050 - Stationery	1,233	813	(420)	1,394
8060- Equipment Leasing	199	-	(199)	-
8070 -IT Support	3,602	1,531	(2,071)	2,624
8100- Sundries	256	176	(80)	301
<u>9000 - Governance</u>				
9010 - Board Expenses	69	150	81	257
9030- Audit	1,590	928	(663)	1,590
9040 - Bank Charges	-	-	-	-
Total Expenditure	125,024	111,815	(13,210)	191,682

- The types of expenditure are shown
- The total for the year to date is shown here
- This is compared to the budget for the same period
- Any variance is shown
- The annual budget is also shown for information

Accountability

# Management accounts

## Restricted and Unrestricted Funds

- Income and expenditure also split by Restricted and Unrestricted funds
- And by project within those funds

Example Charity Management Accounts Period:  
Seven months to October 2014

	Ealing C4C				Heathrow Community for Youth				Total Restricted			
	YTD Actual £	YTD Budget £	YTD Variance £	Annual Budget £	YTD Actual £	YTD Budget £	YTD Variance £	Annual Budget £	YTD Actual £	YTD Budget £	YTD Variance £	Annual Budget £
Balance b/f												
Income												
<u>4100- Grants and Donations</u>												
4120 - Ealing C4C	27,750	16,188	11,563	27,750	-	-	-	-	27,750	16,188	11,563	27,750
4125 - Heathrow Community for Youth	-	-	-	-	6,300	7,350	(1,050)	12,600	6,300	7,350	(1,050)	12,600
Total Income	27,750	16,188	11,563	27,750	6,300	7,350	(1,050)	12,600	34,050	23,538	10,513	40,350

Accountability

# Explaining Budget Variances

## Examples of why there is a budget variance

- The event hasn't occurred yet.

- Plans have changed.

- Invoice received late from a supplier.

- New opportunity/problem has arisen.

## Examples of what you can do to correct the variance

- Cancel the project.

- Chase supplier for invoices.

- Corrective action may be 'none'.

Accountability

# Management accounts

## Explaining Budget Variances

**Remember – the variance can be an**

**overspend**  
**or an**  
**underspend!**

Accountability

# Reporting back to Funders

- Most funders ask for regular reports on the project progress. They want to know:
    - The achievements and progress toward KPIs
    - The financial position
    - Any changes or problems
  - The funder might have a template for you to use
  - The management accounts will provide you with the finance information
- Accountability
-

---

# Understanding the Organisations Financial Statements

Accountability

---

# Financial Statements - Statutory Accounts

- A legal requirement for Charities Commission and Companies House (if registered)
- They show:
  - The year's results in the form of a Statement of Financial Activities (SOFA)
  - A snapshot of the charities financial position on a Balance Sheet
  - Administrative details
  - Details of achievements and performance and goals and objectives in a Trustees' report.

Accountability

# Statutory Accounts – example SOFA

## Sample Charity

### Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2013

	Note	Restricted £	Unrestricted £	2013 Total £	2012 Total £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	20,000	60,614	80,614	57,021
Activities for generating funds		-	24,810	24,810	35,443
Investment income		-	690	690	1,721
<i>Incoming resources from charitable activities</i>					
Counselling and psychotherapy	3	171,346	328,438	499,784	530,298
Other income		-	3,640	3,640	-
<b>Total incoming resources</b>		<b>191,346</b>	<b>418,192</b>	<b>609,538</b>	<b>624,483</b>
<b>Resources expended</b>					
<i>Costs of generating funds:</i>					
Charitable activities		-	54,451	54,451	53,810
Counselling, psychotherapy and promoting good mental health		282,832	316,540	599,372	647,492
<i>Governance costs</i>		-	22,184	22,184	22,893
<b>Total resources expended</b>	4	<b>282,832</b>	<b>393,175</b>	<b>676,007</b>	<b>724,195</b>
<b>Net (outgoing) resources for the year before gains and losses</b>	5	<b>(91,486)</b>	<b>25,017</b>	<b>(66,469)</b>	<b>(99,712)</b>
Transfers between funds		46,801	(46,801)	-	-
Realised foreign exchange gain/(loss)		-	36	36	(153)
<b>Net movement in funds</b>		<b>(44,685)</b>	<b>(21,748)</b>	<b>(66,433)</b>	<b>(99,865)</b>
Total funds brought forward		79,338	1,002,935	1,082,273	1,182,138
<b>Total funds carried forward</b>	12	<b>34,653</b>	<b>981,187</b>	<b>1,015,840</b>	<b>1,082,273</b>

- The headings are the standards set by the Charities Commission
- Income and expenditure split into restricted and unrestricted
- The total is shown
- And last years totals for comparison
- The notes give further detail of each summary total

Accountability

# Statutory Accounts – example SOFA

At the bottom of the SOFA, the overall results for the year are shown

Sample Charity

Statement of financial activities *(incorporating an income and expenditure account)*

For the year ended 31 March 2013

	Note	Restricted £	Unrestricted £	2013 Total £	2012 Total £
Net movement in funds		(44,685)	(21,748)	(66,433)	(99,865)
Total funds brought forward		79,338	1,002,935	1,082,273	1,182,138
Total funds carried forward	12	<u>34,653</u>	<u>981,187</u>	<u>1,015,840</u>	<u>1,082,273</u>

- Positive net movement in funds = spent less than came in, in the year
- Negative net movement in funds = spent more than came in, in the year
- Total funds brought forward are the accumulation of results from previous years
- Giving the accumulated funds carried forward

Accountability

# Statutory Accounts – example Balance Sheet

Sample Charity

Company no. 1234567

Balance sheet

As at 31 March 2013

	Note	£	2013 £	2012 £
<b>Fixed assets</b>				
Tangible fixed assets	8		<u>750,431</u>	<u>762,534</u>
<b>Current assets</b>				
Debtors	9	80,260		80,896
Short term deposits		151,035		150,000
Cash at bank and in hand		<u>106,584</u>		<u>151,039</u>
		337,879		381,935
<b>Liabilities</b>				
Creditors: amounts due within one year	10	<u>(72,470)</u>		<u>(62,196)</u>
<b>Net current assets</b>			<u>265,409</u>	<u>319,739</u>
<b>Total assets less current liabilities</b>			<u>1,015,840</u>	<u>1,082,273</u>
<b>Net assets</b>	11		<u>1,015,840</u>	<u>1,082,273</u>
<b>Funds</b>	12			
Restricted funds			34,653	79,338
Unrestricted funds				
Designated funds			750,431	762,534
General funds			<u>230,756</u>	<u>240,401</u>
<b>Total charity funds</b>			<u>1,015,840</u>	<u>1,082,273</u>

Approved by the Trustees on 4 September 2013 and signed on their behalf by

John Smith - Chairman

- The balance sheet shows the assets and liabilities
- The amount of money that the charity owns and is owed
- less the money it owes to others
- shows the overall net assets
- It is split to show whether the funds are freely available or have to be used for specific purposes

## Accountability

# Statutory Accounts – Trustees Report

Reference &  
Administration  
Details

Objectives &  
Activities

Achievements  
and Performance

Plans for Future  
Periods

Financial  
Review

Accountability

---

What conclusions do the funders draw from the financial statements?

Accountability

---

# What do funders check?

- The funders will review the statutory accounts:
  - They read the trustees report to ensure it is consistent with the application form
  - They check the reserves policy
  - They review the financial position
- They may also ask for management accounts and/or a cashflow forecast or projection
  - To check the current and future position

Accountability

---

# Trustees Report

The funder will read the trustees report and check its consistent with the application



Trustees Report



Funding Application

Consider mentioning in the report that resources are needed or other funding is coming to an end

Accountability

# Reserve Policy

A reserve policy is set by trustees to explain the unrestricted reserves held by the charity

- As back-up funds for the charity – eg 3 or 6 months running costs held in reserve
- To hold funds for specific reasons eg potential redundancies or to meet lease commitments
- Designated funds are set aside for specific projects

The funder will expect to see a policy in the trustees  
report Accountability

# Financial Position

If the reserves are **too high** – this can put funders off

- More than 12 month's worth of costs held
- Why would they need to fund the charity?
- Make sure you explain why funds are held

If reserves are **low or in deficit**

- Explain why this has happened
- Explain how the reserve levels will be restored
- Funders need to be confident the charity will survive

Accountability

# Financial Position - projections

Projected budgets should be balanced

And show secured income

If not, the funder might only offer conditional funding – if other funding can be found

Accountability

---

---

What other information do the funders look for?

Accountability

---

# What do funders check?

- Funders check the accounts at Charity Commission:
  - Filed on time
  - Trustees names agree to the records
  - An unqualified audit report

They might also ask for information on financial procedures

- Signatories, management accounts procedures
  - Be ready to explain these to them

Accountability

# Charity Commission Record

- Each charity has a record available for public view on the Charity Commission website
- Shows details of the charity's activities and whether the record is up to date

1141523 - CHARITY NAME		DOCUMENTS OVERDUE ⓘ
Accounts for 01 Jan 2014: <b>218 days overdue</b>	Annual Return for 01 Jan 2014: <b>218 days overdue</b>	
<b>Activities</b> ⓘ WAS SET UP AS A COMMUNITY LED REGENERATION VEHICLE FOR CODY DOCK AND PROVIDES: ?FACILITIES FOR SCHOOLS, UNIVERSITIES, CHARITIES, COMMUNITY GROUPS FOR	<b>Where it operates</b> ⓘ HACKNEY NEWHAM TOWER HAMLETS	

Accountability

# Charity Commission Record

- It will also show if there is a problem with the audit
  - A “qualified” report means there is a problem

**DUE DOCUMENTS RECEIVED**

Accounts for 31 Mar 2014:

**received 15 Dec 2014**

Annual Return for 31 Mar 2014:

**received 15 Dec 2014**

Accounts for 31 Mar 2014 have been qualified.

Accountability

# Finance and Fundraising Workshop

## The End

Accountability Europe Ltd are an accountancy practice specialising in finance services for the third sector.

You can find more information on our website:

[www.accountabilityeu.co.uk](http://www.accountabilityeu.co.uk)

or by emailing us at:

[info@accountabilityeu.co.uk](mailto:info@accountabilityeu.co.uk)

Accountability