



Treasurers Handbook

Edition 4.01 **February 2013**

'I have learned ... that stewardship of our financial resources demands not only meticulous accounting skills but also knowledge of what our money does, and imagination in devising what it can do...'

Quaker Faith & Practice 14.01

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Foreword

Welcome to the fourth edition (4.00, April 2012) of the Treasurers Handbook.

When I first became an Area Meeting Treasurer in 1999 I was relieved to discover this invaluable publication was available. I did not need to worry about where to look to find the answers to my queries the Handbook was there. I regularly found myself referring to it to learn more about my role, what was required and more importantly how to do it. It is not a book to be read cover to cover but a resource to be referred to as and when required. The comprehensive contents page clearly indicates which section or page you find need to refer to to find the information you are looking for. I would often then find myself turning over a few extra pages and discovering even more useful information that I hadn't been aware that I needed to know. So I encourage you to dip in and explore the wealth of information it contains and to share the knowledge and enlightenment it brings with others in your meeting.

The Handbook has been compiled by Quaker treasurers and others to the best of their knowledge, understanding and experience for use by other Quaker treasurers. It is not a definitive document and legislation will change and necessitate it being amended and updated. Expert professional legal and financial advice must be sought if required on any matter.

The earlier editions of the handbook were written prior to the adoption of Governing Documents and the appointment of trustees and so contained some items such as employment matters which are now managed by the trustees. These items have been removed from this edition and have been transferred to the Trustees Handbook.

I would like to thank Tom Heydeman for his dedication to the Handbook and the support it provides to treasurers. His constant drive and commitment to updating and revising the Handbook ensures that it continues to be a valuable resource to treasurers within the Religious Society of Friends.

The Handbook also links with the treasurers training that takes place at Woodbrooke each year, it is the reference book for the course. All participants are encouraged to get a copy, and to ensure that Friends House has their details so that they receive copies of the Treasurers Newsletter.

Kate Gulliver

Clerk, Quaker Stewardship Committee

The Quaker Stewardship Committee

The responsibilities of the committee shall be to:

- a. support treasurers and trustees in the service of their Meetings through the stewardship of their finance and property;*
- b. provide advice and guidance to Meetings and other bodies within Britain Yearly Meeting;*
- c. ensure that education and training is available to treasurers, trustees, independent examiners of accounts and other Friends involved in finance and property matters;*
- d. help to ensure that every part of Britain Yearly Meeting is producing proper financial accounts and property registers;*
- e. certify the fulfilment of d. annually to the Yearly Meeting;*
- f. enable Meetings to act within the laws relating to charities and trusts;*
- g. disseminate good practice;*
- h. liaise with the statutory and other external bodies (eg the Charity Commission) on issues that affect all Meetings and their associated bodies and recommend to the Yearly Meeting any necessary changes in the umbrella arrangement or other matters affecting Friends' charitable status;*
- i. put relevant Quaker views to agencies and government departments, e.g. the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator, etc.*

Quaker Faith & Practice 14.39

Introduction to edition 4.00

This edition of the *Treasurers Handbook* is, like the third edition, a development from the original created by Donald Robertson and Dori Veness in the 1990s. However, when the third edition was being drafted there was no equivalent handbook for trustees. That is no longer the case. Richard Summers has pointed out that the third edition Chapter 14, 'The Meeting as employer and wardens' landlord' is almost entirely concerned with trustee matters. He has offered a brief set of links to relevant Quaker Life pages that relate to the treasurer's possible involvement. This has been incorporated in what was chapter 15, now chapter 14, 'Charity law and trusteeship'. One or two other details from the old chapter 14 have moved elsewhere; most of the financial aspects of wardens were anyway included in Chapters 1 to 10.

This edition emphasizes the unity of the Area Meeting as a single charity. We have recognized this in registering with the Charity Commission but the concept comes from Quaker Faith & Practice, 4.32 'Local Meetings are at all times subordinate to their Area Meeting.' Accordingly the term 'consolidation' is now consigned to its correct usage of merging the accounts of separate charities; we use the term 'collation' to describe the combining of the accounts of the various branches (funds, Local Meetings) within a single charity (the area meeting).

Another development since the third edition was launched in 2007 is the regular production of *Treasurers' News*. Many contributors have made this a valuable resource and references to it have been included here while those to the *Treasurers Newsletter*, discontinued some years earlier and now unobtainable, are generally omitted.

We have tried to keep up with changes in charity regulation but even what we currently offer may not be up-to-date. It is also necessarily imperfect: see the **warning** below. It would benefit from improvement in many ways. However, developments in the presentation and dissemination of information make updating easy. I plan to offer, when necessary, amendments to this edition in electronic form to join the handbook itself on the BYM web site, www.quaker.org.uk. Recognizing that many readers will be using the PDF directly, we have revised pagination so that the numbers shown in the footers of Handbook pages agree with those in the PDF.

You, the reader, can help in this further development. If you see errors or omissions or can devise better ways of explanation, do get in touch.

Tom Heydeman, editor

April 2012

Warning: This handbook has been prepared by Friends with experience in the relevant fields, not by experts. Use of this book is not a substitute for obtaining independent professional advice. It is also advisable to consult original sources of information if there is doubt about any aspect.

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1 What the Handbook does and how to use it

1.1 Aims of the Handbook

Being a treasurer is very fulfilling. The treasurer participates in many aspects of the life of the meeting, gets to know others and has the satisfaction of facilitating much of their activities. The joyful opportunities of treasurership are, in principle, open to all Friends. However, many feel debarred from participating because of a variety of considerations.

- They may feel that mathematical expertise is required. We show here that only the simplest of arithmetic is needed.
- They may not yet know what is meant by the various terms in use, such as ‘accounts’. This book offers straightforward explanations.
- They may have no idea what sort of system to use or how to organize one. Detailed advice is included herein.
- They may feel the need of guidance in such matters as insurance, investment, property, employment and charity law. Chapters of this book introduce these topics and point to where detailed help can be obtained if needed.
- They may fear that the burden will be too great – but there are ways of sharing the work should it seem so (see section 2.8).
- They may not know where to turn for help. Again, the Treasurers Handbook not only offers its own support but signposts other sources.

Well, that summarizes the hopes of the authors and editor. How do we think we can do all that?

1.2 Outlining treasurership

An early question, addressed in Chapter 2, is what may be required of a treasurer and what qualities such a job will bring out. How do treasurers work with the meeting and with each other? These considerations will interest not only treasurers but members of nominations committees who need to know what qualities or abilities they might be seeking in prospective nominees.

Chapter 3 considers questions relating to what ‘bookkeeping’ and ‘accounting’ are – generally, for charities and for Quakers. Bookkeeping, the recording of all the individual movements of money into, out of and across the meeting, leads into accounting, the summarizing of these so that all can understand what have been the financial activities of the meeting and what it currently owns.

By Chapter 4 we are ready for some of the mechanics of operation: banking and security. This includes advice on how to avoid the risk of misplacing money or being accused of doing so. It also covers different sorts of accounts and the question of ethics.

Chapter 5 covers bookkeeping, explaining the terminology and how to set up and use a system – be it based in a notebook, a broad analysis book or a computer. Chapter 6 moves on to preparing accounts, again explaining what needs to be done and how to do it. These two chapters are linked by the need for the bookkeeping information to easily yield data for the required end-product of accounts. Appendices 1 to 3 provide supplementary detail.

The next thing after preparing accounts is having them either audited or independently examined – which Chapter 7 discusses.

The next three chapters (8 to 10) focus on particular financial topics: making and monitoring a budget – including the important issue of reserves; income generation; expenses and grants.

Chapters 11 to 14 bring guidance on insurance, investment, property and charity law. We conclude with a glossary and some useful addresses in Chapter 15.

1.3 How to use the *Handbook*

The *Handbook* is presented in different levels of information, and the next section shows examples of chapter numbering and layout.

1.4 Numbered headings

These are used in each chapter to introduce one of the major subjects.

Sub-headings

These are in a smaller size, and without numbering.

Text providing two levels of information

Normal text (like this paragraph in font & size) represents the first level of information, which everyone should read, at least once. At the first reading, however, there may not be any need to spend time on the further levels (try resolutely ignoring them). When you have skimmed through all the first-level text, you will have a good background impression of what is available, and a rough idea of where to look again when you need more detail.

The glossary that starts Chapter 15 may be useful at any time but expressions in bold italic (e.g. ***SOFA***) should be checked in it forthwith as they have specialized meanings.

i *More detailed information and instruction*

Indented paragraphs like this, identified by an icon, provide further information about the immediate subject, which will probably be useful to everybody at some time. You may want to read it immediately, but there is no need to do so. You will almost certainly want to come back to it later, to learn more about a particular subject or process.

And the third level

This appears in the form of inset notes, of two types:

When marked by an asterisk* they are general points that might be interesting or helpful to anyone but that would break up the flow of the main text. You can let your eye skip across to the nearest asterisk and see if you want the information at that moment, or pass it by for the time being.

When marked by a boxed tick they indicate something that a beginner really should check out. It may be a definition, explanation, or 'how to go about it'. Experienced treasurers can pass by.

There are many cross-references in the text; the headings and sub-headings are designed to be informative and to help you search for information; they are all included in the list of contents. At the back is a glossary with references to chapter sections and a list of names and addresses.

To aid understanding of our wider setting, some additional insets contain quotations from *Quaker Faith & Practice* and elsewhere.

* An inset note might give some further, but not immediately necessary, information or make a comment

Beginner's notes may be substantial, if they explain a process, but they may merely provide some small extra information that makes the present subject quicker and easier to understand.

2 Being a treasurer or collector

2.1 The treasurer's and collector's roles compared

This chapter will guide the nominations committee in their assessment of the personal qualities which are most helpful in a treasurer or collector. Brief descriptions of the treasurer's and collector's work are to be found in Tables 2a and 2b respectively.

Being a treasurer has many aspects. There will always be the need to keep careful records, understand finance, be methodical and have regular amounts of time available for the weekly and monthly tasks. There is also the collection of contributions from Friends and attenders. Some people who are excellent at managing money may feel personally awkward in asking for it. Talking about money may be easier for someone else who simply enjoys contact with people. Collectors need to combine what may seem to be a 'pestering' for contributions with the ability to communicate both the Society's needs and the details of various ways of giving. They don't have to be 'good with figures' and the treasurer doesn't need to be extrovert.

"Some meetings have found it more convenient for the treasurer to appoint an assistant or collector to prepare schedules and send them out, and to manage the contributions." *Quaker Faith & Practice*, 14.09

A further help to understanding the different roles is to think of the work as basically dividing into four aspects:

- raising money, which involves personal communication
- recording financial activities, which is technical work
- reporting – a hybrid of communication and technical work
- advising the Meeting on necessary financial decisions

Brief descriptions of the treasurer's and collector's work are to be found in Tables 2a and 2b respectively. Of course it is quite possible for one Friend to do both jobs.

2.2 Desirable qualities

The best Quaker 'money people' have a sense of humour, but that's by no means all. Obviously they need the integrity one would expect of every Friend. We should also look for sensitivity to the very varied nature of members and attenders and of their attitudes to money. The comments in this section apply to all levels of Quaker treasurers/collectors, whether of Local, Area* or General Meetings, or of some more specific work.

The collector (whether this is one half of a single person's job or done by a separate person) should be able to talk to individuals about their own money in confidence and to explain wider financial matters to the Meeting. The treasurer needs to get a good working knowledge of the structure and functioning of the Society*. S/he also needs to be able to write clearly and be a good explainer, which is vital for effective communication. In the combined-role treasurer/collector, this may be more important than numeracy or computer skills, which can be looked for in voluntary or paid assistants. S/he should also know how to be brief; many audiences find that a little financial reporting goes a long way. To speak for too long can make the difference between informing an interested Meeting and becoming a bore.

It is the treasurer who must ensure the proper management, collection and distribution of the Meeting's money and advise on the financial needs arising from the decisions of the Meeting. S/he keeps the records, monitors performance and provides financial information. Treasurers need to equip themselves with knowledge of charity accounting and regulations, taxes of various sorts, investments, insurance and property maintenance costs.

* The terms 'Area' and 'Local' Meeting, used in this Handbook, are abbreviated as 'AM' and 'LM' respectively.

* Information packs for new treasurers and collectors are sent out from Quaker Communications Department but they need to be told who has been appointed. See the Reading List also, for helpful books.

i **Treasurers as servants of the Meeting**

The treasurer should remember that the appointment, like those of the other officers, is as a servant of the Meeting. Although the treasurer advises, the decisions are those of the meeting for church affairs seeking the will of God. But a good Meeting will listen to the treasurer's advice. If there is not enough money for this or that vital development, it will consult the treasurer over the likeliest ways to raise the necessary money. It will also want the treasurer to advise on how best to utilize a surplus or to plan long-term projects.

i **Attendees serving as treasurers**

Treasurers should be in membership (Quaker Faith & Practice 3.24i and 13.44), but Meetings may find that an attendee turns out to be the most suitable person. These are some possible ways forward in such a case that might enable much of the work to be done by a committed attendee with the necessary ability:-

- *An attendee from the Meeting can be appointed as assistant treasurer, with a member taking formal responsibility as treasurer and monitoring the activity to ensure that the work is in right ordering.*
- *A Friend from outside the Meeting can be appointed formally as treasurer by the Area Meeting, the bulk of the work being undertaken locally by an attendee of the Meeting as assistant treasurer (perhaps called the bookkeeper).*
- *One or more attendees could share the work (see Job sharing, page 9) so that a member might feel able to undertake the rest.*
- *A long-standing attendee with the necessary skills could be appointed, provided the trustees can oversee the work and receive regular financial reports. Such an arrangement, departing from the expectation of QF&P that the treasurer should be a Friend, should be minuted, experimental and reviewed after one year.*

i **An integrated finance system**

*Where it proves too difficult for a local meeting to find a treasurer, it may be possible for the accounts of the meeting to be managed centrally by the AM treasurer, with or without paid support from a bookkeeper. This kind of integrated system has been adopted in West Kent AM – see www.quaker.org.uk/sites/default/files/Integrated-Finance-An-Implementation-Manual-Sept-2010.pdf and **Treasurers' News 1**.*

i **Appointing treasurers and collectors**

*Treasurers and collectors are appointed at all levels of the Society, from Local Meeting to General Meeting, and for certain committees. It's important that such posts should not be permanently held by one Friend, though a second triennium may be the best use of hard-gained experience. * There is also a need to create a group of Friends with experience and understanding of Quaker finances.*

To fulfill their roles, both the treasurer and the collector should get a good understanding of the financial needs of Quaker work at both local and national levels. A creative approach to finance will help the Meeting to make money stretch to all the concerns and projects it decides to pursue. They should be alert to ways of helping all members of the Meeting to play their particular part financially, in line with their own wishes, abilities and individual means.

* Current treasurers should take care to document the procedures they use, in case of illness or an accident to themselves, and as part of the induction for their successors.

Table 2a Description of the treasurer's work

The following are the tasks for a treasurer who may be helped by a collector. They should be read in conjunction with Table 2b about a collector's work. Of course it is quite possible for one Friend to do both jobs. If a prospective treasurer has questions about the various tasks listed below, they are all described in more detail in chapters 5 and 6 of the Handbook, which could be used to provide answers.

Responsibilities

The treasurer's prime responsibility is to care and account for the financial resources of the Meeting. S/he would attend meetings of a finance or finance & property committee, report regularly to the Meeting and be responsible for the preparation and presentation of the annual accounts at the year-end.

For an Area Meeting, the treasurer would be responsible for incorporating the accounts from all the constituent Meetings into the collated Annual Report and Accounts. S/he would normally be a trustee of the charity.

Tasks

– further information is in Chapter 5 unless another chapter is indicated

Week by week – Receive and bank income from contributions and other sources. Pay invoices for goods or services supplied. Issue invoices (e.g. to hirers of meeting house spaces); check that amounts due are received. Enter up the main cash book.

Monthly – Enter and top-up the petty cash, total the main cash book columns and verify the work. Do a bank reconciliation to check that the cash book and bank statement agree. Transfer funds to or from the deposit account as necessary. Deal with wages, including tax and National Insurance, if appropriate.

Quarterly – With the collector, add up the contributions record and pass on funds for other groups, such as BYM, central departments, etc. Add up special collections and pass on the funds. Compare progress with the budget or with less formal expectations, reporting significant variations. Submit claims to HMRC to recover tax deducted from received income or due on Gift Aid; this is better done annually if the sums are small.

Annually – Draft a budget (see Chapter 8) for the late autumn or January as the Meeting requires it. With the collector, issue contribution request letters early in the year. Review insurances (Chapter 11) and investments (chapter 12). At the year-end, ensure that the cash books are complete and accurate, prepare all the support papers required for audit / examination, including a record of investments and a note of debtors and creditors; arrange the audit or independent examination; present the Accounts to the Meeting in session.

An Area Meeting treasurer will need to prepare, or be responsible for someone else preparing, the collated annual accounts (Chapter 6), which, with their report, is to be approved by the trustees and received by Area Meeting in session.

It is a help if the retiring treasurer can roughly estimate the amount of time needed at the various stages. Especially for an Area Meeting, it is valuable to have an overlap for about six months, to ensure a smooth handover. There should always be descriptions of the present treasurer's practice in case such an overlap is not practicable – or even not possible.

Table 2b Description of the collector's work

Chapter 2, 'Being a treasurer or collector' will guide the nominations committee in their assessment of the personal qualities that are most helpful in a collector. The more technical work would be done by the treasurer, and the following are the tasks particularly for a collector – they should be read in conjunction with table 2a about the treasurer's work. A Friend considering whether to become a collector could be shown the sections about collectors' work in chapter 2 of the Handbook. Of course it is quite possible for one Friend to do both jobs.

Responsibilities

The collector's main responsibility is to help Friends understand the needs and funding of their own Meeting, AM, GM and Britain Yearly Meeting and the central departments. He or she will distribute, explain and help in the use of the annual contribution request. The collector will also encourage Friends to give in the ways most suitable for them and will especially assist in the understanding and use of the various tax-effective methods of giving. From time to time a collector will be responsible for organising a particular fund-raising appeal (co-operating with the treasurer in keeping a suitable record).

A collector who also understands the more technical side of the Meeting's accounting will be able to help in the presentation of budgets, forecasts, and the Annual Accounts – especially by providing charts, graphs, homely analogies, and explanations of the layouts and the particular way of presenting the information.

Tasks

Early in the year – Review the current list of contributors. Consult with overseers about the circumstances of Friends, if that seems helpful, and about newcomers who have not previously received a contribution request. Help with the presentation of the budget if there is one. Prepare a local letter to accompany the contribution request from Yearly Meeting and ensure that Friends and attenders receive and understand these. Offer to meet with Friends one by one to discuss their giving and explain the various methods.

Throughout the year – Be available to answer Friends' queries, often to reassure them about some particular matter. Look for points from *Quaker News*, *The Friend*, the *BYM Annual Report and Accounts* or *Treasurers' News* that can be used as jumping-off points for explaining needs, both local and national, for describing achievements and for increasing Friends' understanding of funding and accounting.

Specific times – Share the presentation of reports with the treasurer, especially the Annual Accounts. Research, plan, organize and record any special appeals for funds. Co-operate with Friends who organize jumble sales and other small fund-raising events.

It is not at all easy to estimate the time that might be needed. It will vary a great deal depending upon activity, and will mainly be a matter of availability when needed, either by individual Friends or by the Meeting. Arrangements for overlap with the retiring collector may not be essential but there would probably need to be some time for a new collector to absorb the list of current contributors and learn about contribution requests, Gift Aid, etc, before starting the work.

2.3 Principal tasks and responsibilities

The principal tasks and responsibilities of treasurers/collectors are described below. It may look as though the treasurer has many more tasks than the collector but this does not mean that the collector is less important.

Stewardship (mainly for the treasurer) includes

- taking care of the money
- depositing, managing and distributing money / contributions (perhaps with the help of a collector/fund-raiser)
- financial aspects of hiring and upkeep of Meeting Houses
 - financial aspects of letting and upkeep of other properties
 - investment and short-term deposits
 - use of tax-effective methods
- controlling expenditure by:
 - budget procedures and allocation
 - checking bills
 - managing cashflow and bank balances
 - awareness of VAT concessions and exemptions
- ensure probity and legality in the use of charitable funds by:
 - knowledge of the rules
 - personal integrity
 - advising the meeting and the trustees, who are responsible in law

Use leaflets for charities from your local HMRC office.

Although some of these points will apply more to Area Meeting treasurers, Local Meeting treasurers need to be aware of them as well.

Book-keeping (certainly for the treasurer)

- record income, expenditure and resources
- carry out checks and reconciliations, e.g. bank account, petty cash
- retain primary documents (that is cash books and vouchers)

Accounting (mainly for the treasurer)

- keep the Meeting informed about its finances
- identify money for special needs, eg, overseers
- plan financial arrangements such as:
 - the payment of wardens
 - the collection of letting and hiring income
 - handling insurance premiums and claims
 - recovery of tax from HMRC (formerly Inland Revenue)
- produce reports and accounts that:
 - serve the Meeting
 - fulfil legal obligations, including conforming as appropriate to the **Statement of Recommended Practice (SORP)**

All these terms are defined in the glossary and explained and used in Chapters 5, Book-keeping and 6, Annual Report and Accounts

See the glossary and Chapters 5 & 6

Some of these accounting tasks may be handled only by the Area Meeting Treasurer but Friends in local Meetings should also be informed of financial progress two or three times a year.

Communicating (a collector's speciality)

The collector's task is to inform Friends of the financial situation and needs of their meeting and of the Society. Guidance provided about giving will include:

- the needs of the Local and Area Meetings, and the Society
- arrangements, e.g. collection box, annual contribution schedule, ear-marking
- tax effective methods
- interest-free loans
- legacies

Delegating

Being responsible for the list of tasks above does not necessarily mean doing them all yourself. A treasurer is entitled to receive help (occasional or regular, voluntary or paid) if there isn't enough time or if other skills are necessary.

2.4 Maintaining the financial records

The duties of the treasurer, summarized in Table 2a, include the responsibility for ensuring that the Meeting's financial records are kept in good order and for as long as is necessary. Records are referred to at various points in this Handbook and this is only a summary, with the minimum period for which each needs to be retained.

- o Gift Aid records: mostly for 6 years but where envelopes are used only those for one month in each year have to be kept beyond the examination or audit (see Gift Aid in section 5.12).
- o Bookkeeping records: the cash book, bank statements; vouchers and other details (6 years)
- o Accounting records: the report and accounts with the auditor's or examiner's certification (indefinitely)
- o Building maintenance records: major work done, by whom, (indefinitely), plus any guarantee certificate (at least as long as it is valid)
- o Receipts or guarantees for Items of equipment (6 years or, if longer, the guarantee period)
- o Certificate of employer's liability insurance (40 years)

It is important to note that information about individuals, however kept, is subject to the Data Protection Act 1998. Such information should be retained only as long as is absolutely necessary and then destroyed.

The Data Protection Act 1998

An area meeting that is a separately registered charity is recommended to register as a data controller under the Data Protection Act 1998. The data records of other meetings, except regional general meetings in England and Wales, are covered by the Yearly Meeting's original central registration.

The legislation controls what personal data can and cannot be kept. From a treasurer's point of view, the main things to know are:

- o *Basic factual information, such as address lists and payroll information can be kept without notifying those concerned.*
- o *All information on record should be strictly factual, and you should not add matters of opinion.*
- o *If you record any other information, the Friends concerned need to be told that the information is on record, and that they can ask you to print it out and give it to them (their own, not anyone else's).*

Factual instructions, such as "Inform Friend only after money received from CAF", are allowed so long as they don't include an opinion as to why.

There is no need to anonymise the data on personal donations recorded in the cash book or computer records, unless a donor has specifically requested that their own identity should be protected. Donors will expect that you keep proper financial records and will expect that the data may be seen by other people involved in the financial procedures. There will be a number of situations in which you may need to disclose your account books or computer files to others, e.g.

- o *to other treasurers in the Meeting who work together, such as the treasurer, assistant treasurer, collector, the treasurer who takes over from you, etc.*
- o *to the AM treasurer or collator, as required to complete the AM financial report.*
- o *to examiners or auditors, who have to check that all is in order.*
- o *to the Meeting's records officer, who locks up the old financial records in the archive,*

and if necessary destroys them according to the schedule agreed by the Meeting.

- *to those you consult for technical advice on setting up or operating your financial procedures.*
- *You may also use information from the records when consulted by overseers, but don't print it out and distribute it to them.*

As well as keeping the formal financial records, you will find it useful to keep a record of the procedures and timetable you normally follow in doing your bookkeeping and accounts (see 'Keeping a record of your own procedures' in section 5.6).

2.5 Responsibilities to the Meeting

Keeping Friends informed about the Meeting's financial position is essential. It is important for members and attenders to have confidence that the management of the Meeting's financial affairs is in good order, but they should also feel some personal responsibility towards policy and decisions. The treasurer (especially when unaided by a collector) has an important role, therefore, in explaining the Meeting's financial position and outlook clearly and enthusiastically.

Providing a budget is useful, even for a small Meeting, and is essential when a large project is being considered. Discussing and deciding the budget both involves the Meeting and increases members' understanding of financial affairs. You can also report during the year on how closely the actual figures are holding to the budgeted ones, and what can be learned from the discrepancies; visual aids may be especially helpful here (see Chapter 8, 'Budgets and financial monitoring').

Early warnings of any financial difficulties should be given to the Meeting so that it can make suitable changes. Make sure that the Meeting concentrates on the main financial issues before it, rather than becoming immersed in small detail. Wherever possible, avoid the use of technical accounting terms; try to find homely analogies to encourage understanding by non-financial Friends.

Advice for decisions: be ready to explain the financial consequences of decisions that are before the Meeting. Sometimes you may be asked if the Meeting should take a particular course of action; rather than answering directly, always ensure that members are given all the information and advice necessary to arrive at their own decision.

The Annual Report and Accounts should be presented to the Meeting each year by the treasurer, who should identify and explain significant items of income and expenditure. Copies of the Report and Accounts should be available for everyone well before in advance so that Friends have time to study them thoroughly – but the treasurer should welcome later questions, too. The presentation to the Meeting should be simple and clear; graphics like pie or bar charts are recommended.

The *collated Area Meeting Annual Report and Accounts* is a further responsibility of the AM treasurer in particular. The AM's accounts for its own activities throughout the year, and all the LM accounts, need to be collated into one set that is the formal, legal record of the charity's financial year. See chapter 6, 'Annual Report and Accounts'.

2.6 Property and its stewardship

Despite Friends' scorn for 'steeple-houses', they do become inordinately fond of their own buildings, and this makes another area in which sensitivity is essential. The treasurer can help to ensure that property neither becomes a burden to the Meeting nor falls into neglect and disrepair. The AM treasurer is usually a trustee, with a legal responsibility for the stewardship of the Meeting's property, and a member of the premises or the finance & property committees. Other treasurers are liable to be involved with property but arrangements vary widely between meetings (see Chapter 13, 'Property').

2.7 Working with committees

Policy and financial oversight, while a responsibility of the trustees or the finance committee, will in practice call for information and advice from the treasurer, who should be ready to make recommendations. Aspects of policy and review that the treasurer will be involved with include:

- Warden's salary and other conditions of employment, probably in conjunction with any premises or wardenship committee that is closely involved with the warden's employment (See section 14.7, Employment)
- Charges for hire of Meeting house rooms, again probably in conjunction with the premises committee. (See Chapter 13, 'Property')
- Policy on loans and grants to individuals and other charities
- Arrangements for the annual accounts to be independently examined or audited, as appropriate
- Insurance arrangements
- Monitoring investments held by the Meeting, which need periodic review.

2.8 How treasurers can work together

Job sharing

The lists of tasks and responsibilities above may look daunting to some. However, it is possible to share one treasurership amongst two or more people.

- If this has not already been done, arrange for the appointment of a collector to deal with the contributions and collections. Another specific aspect that can be separately undertaken is dealing with hirings of the meeting house.
- It is really useful, especially in the AM or a busy LM, to appoint an assistant treasurer with whom the treasurer can share all information and who will undertake some duties routinely (e.g. *collation* of the AM accounts & liaison with LMs, checking cash book or journal entries, reconciling bank statements) and others as deputy during the treasurer's temporary absence for any reason. Just having someone else interested and informed can be a support to the treasurer as well as a safeguard for the meeting.
- It is possible to employ a bookkeeper*, who would report to the treasurer, to do much or all of the day-to-day work of banking cheques, preparing invoices to send out, keeping cash book records up to date and reconciling bank statements. The bookkeeper can also check invoices that have come in, prepare the cheques to settle them and send them off after they have been signed by the approved signatories.
- When a meeting has let property, the treasurer will be one of the points of contact for the letting agent (or directly for the tenant if no agent is employed). However, let not the treasurer undertake all the liaison work inseparable from managing let property! A premises committee, a trustee or even another Friend can deal with the non-financial aspects.

* There is an article about paid bookkeepers in *Treasurers' News* 3.

A treasurers group within the Area Meeting

An important source of help, advice and mutual support is the group of treasurers within the Area Meeting. Try to meet at least once or twice a year to share your experience as treasurers and encourage those newer to the task*. Such a group is also a place for agreeing common standards and practice for the production of the Area Meeting's Annual Report and Accounts. See also sections in chapters 3 and 6 about the collation of accounts.

* A successful Finance Day run in Cambridgeshire AM is described in *Treasurers' News* 2.

Succession

Once in post, treasurers often enjoy the post so much that they are happy to continue for more than one triennium. A second triennium can be useful – but a fifth or sixth is not good for either

the treasurer or the meeting. There is a danger that no one will be prepared to take over after so experienced a Friend! Two triennia may be ideal, the first with the support of the previous treasurer for as long as necessary; the second with a prospective successor as assistant treasurer at least in the latter part. From the start, therefore, develop and maintain a manual of your bookkeeping practice, for your successor along with a stock of forms and any particular spreadsheets you find useful.

2.9 Relationships with the central departments

Quaker Stewardship Committee (QSC) has been working since 2004 to support treasurers and trustees in the service of their meetings through the stewardship of their finance and property. It has eight other duties (see *Quaker Faith & Practice* 14.36–42) including ‘help to ensure that every part of Britain Yearly Meeting is producing proper financial accounts and property registers’. You may be asked to send your accounts or other information to QSC to help with this and one member of QSC will, as ‘Link Friend’, have special responsibility for your Area Meeting. Any sort of query can be addressed to Helen Griffith (heleng@quaker.org.uk or 020 7663 1161), in the Recording Clerk’s Office, who will do her best to see that you get an answer to your question.

Quaker Communications Department supports Meetings with the presentation of Quaker work and Yearly Meeting’s financial needs, and with practical fund-raising support for treasurers and collectors. The annual contribution request, *Treasurers’ News*, *Quaker News*, copies of this *Handbook*, a special pack for new treasurers, and other related material are all available from the department and may be found on www.quaker.org.uk or ordered on 020 7866 9508. (Also see Chapter 9). In addition, the Support for Quaker Treasurers project is continuing until March 2015, currently run by Gaby Scott (gabys@quaker.org.uk; telephone 020 7663 1045). Details are to be found in *Treasurers’ News* 15, February 2012.

Aspects of the support and training that treasurers want are discussed on page 4 of *Treasurers’ News* 1, followed by a note of websites for more support.

Quaker Finance and Property Department at Friends House. The treasurer is unlikely to need regular contact. While the department may be approached by treasurers seeking guidance, it is generally more appropriate to use the services of Quaker Stewardship Committee.

The Annual Conference of Treasurers is arranged by Quaker Communications Department, through an Arrangements Committee. Each Area Meeting is invited to send representatives to the conference, whether from the AM or LM, treasurers or collectors. The formal purpose of this conference is to give local treasurers a better understanding of the financial position facing the Society and its needs for the forthcoming year. It also provides a valuable opportunity for treasurers to present feedback from local Meetings and to exchange ideas and experiences, as well as to attend workshops on subjects of current importance. See *QF&P* 14.43–44.

The role of *Friends Trusts Limited* (FTL) should be distinguished from that of Quaker Finance and Property Department. The activities of FTL are set out in section 14.45 of *Quaker Faith & Practice*. Its main function is to act as a custodian trustee. Thus, while the meeting remains the beneficial owner, property and investments of Local and Area Meetings are normally held in the name of FTL.

An *Advisory Committee on Property* at Friends House can be contacted through Quaker Finance and Property Department. It has produced a *Handbook on the Care of Quaker Meeting Houses* and puts out occasional bulletins. The committee exists to monitor best practice in the upkeep of properties, and to be a first source of advice for Meetings that experience difficulty with their buildings. (See Chapter 13, ‘Property’.)

Quaker Life supports wardens, caretakers and resident Friends and their employing Meetings and www.quaker.org.uk/employers can be a first point of reference for advice on employment matters. *Wardenship Committee* (www.quaker.org.uk/wardens) publishes an occasional newsletter. (See section 14.7, Employment)

Woodbrooke Quaker Study Centre (not formally a part of BYM) offers training events for new treasurers in its short course programme. A current brochure should be available in your Meeting or information can be obtained from Woodbrooke (contact details in Chapter 15).

 *Where to look in Quaker Faith & Practice (QF&P)*

Further guidance is to be found in the following sections of QF&P:

Appointment of treasurers; responsibilities of the Meeting – 4.04, 4.10, 4.33, 4.35

Financial support for Friends – 12.13, 13.12, 13.18

The role of the treasurer – 13.43, 13.44

Finance – 14.01 to 14.30

Property and trusteeship – 15.01 to 15.11

Integrity in financial matters – 20.54 to 20.60, 20.64

3 Charity accounting, collation and consolidation

3.1 Introduction

All charities must work within the framework of the Charities Acts. The 2006 Act signals the end of the excepted status previously enjoyed by some churches, including the Quakers. This chapter summarizes how Meetings need to handle their financial affairs. Later chapters give more detailed information.

First, it will be helpful to understand how we organize ourselves, since our organisation will determine the identity to be used for accounting and legal purposes. It normally accords with responsibility for membership and property, which at present is laid upon the Area Meeting (*Quaker Faith & Practice*, 14.23).

3.2 Area Meeting as the legal and administrative unit

Quaker Faith & Practice defines our regional organisation as follows: “The area meeting is the primary meeting for church affairs in the Society.” (4.02) “The area meeting may contain a variety of meetings for worship differing in size and practice ... The existence of a new local meeting or the laying down of an existing local meeting should be formally recognised by the monthly/area meeting... (4.31) Local meetings are at all times subordinate to their monthly/area meeting.” (4.32)

Local Meetings as constituent parts of AM

The definition can be combined with the Charity Commission’s statement that a charity may operate through branches that are “entities or administrative bodies set up, for example, to conduct a particular aspect of the business of the main charity, or to conduct the business of the main charity in a particular geographical area ... a ‘branch’ is ... part of the administrative machinery of the main charity (SORP, Appendix 1.2).” It is clear that the Charity Commission would regard Local Meetings as constituent parts of Area Meeting, set up for geographical and administrative reasons. (The purpose of various trusts may be rather different, as they could be conducting a particular aspect of the business of the main charity.)

Two things follow from the Area Meeting being the charity unit, with branches. Firstly, for practical purposes Area Meetings need to appoint trustees who will accept special responsibilities within the collective responsibility of the Meeting (see *Quaker Faith & Practice* 15.03–15.11, Chapter 14 of this *Handbook* and the *Handbook for Trustees of Quaker Meetings*).

Secondly, while each of the constituent Meetings of an Area Meeting will continue to produce its own set of accounts, these need to be in a form permitting their collation*, together with the AM’s centrally-administered accounts, into a single set of Annual Accounts that reflect all the matters for which the Area Meeting exercises stewardship.

* Until 2011, the word ‘consolidation’ was used for this but it has its own meaning (see Glossary) and should not be used for the collation of accounts of branches of a single charity (see *Treasurers’ News* 14).

3.3 The form of charities’ accounts

The Charity Commission’s **Statement of Recommended Practice** (usually shortened to SORP) requires annual accounts to be presented in a prescribed format, along with a Trustees’ Report (for details see sections 6.2 and 6.3).

The SORP distinguishes a few major categories of income and of expenditure, the latter largely related to what furthers the aims of the charity, what is mainly to generate income and what is required for the governance of the charity. These, and their subdivision to provide the information that your meeting would like to see, are explained in sections 5.8 ‘About the analysed, main cash book’ and 5.9 ‘Making entries’.

While the financial accounts may be better related to the activities of the charity rather than the minutiae of what is paid for, i.e. in terms of events, conferences, committee meetings rather than stationery, telephone, electricity, this is compulsory only for larger charities that are subject to statutory audit. The latter need to be recorded but either under the heading of an activity or as support costs to be apportioned between activities (see 'Support costs' in section 5.9).

3.4 Collation – bringing it all together

The Annual Report and Accounts, reflecting all the matters for which the Area Meeting exercises stewardship, deal with the collated accounts of all the constituent Meetings together with those of the AM itself. Income and expenditure for all the Meetings must be shown in full, not netting off the two.

☑ At the same time, payments between Meetings within the AM must be recorded as transfers that are neither income nor expenditure.

The total gross income obtained in this way will determine the basis of the Accounts required. The various levels are described in section 6.2 which also gives details of what should be included in income for this assessment.

In addition, the levels of income and assets determine whether an independent examination suffices or there must be a professional audit. (The difference is explained in 7.3, 'About an audit' and 'Examination is less strict than audit'.) The larger the charity, the more stringent are the requirements.

☑ 'Netting off' – e.g. subtracting the expenditure on a residential conference from the income received from participants, or *vice versa*, and recording only the surplus or deficit.

3.5 Funds: Unrestricted, Restricted and Endowment

First check with the Glossary in Chapter 15 on the meaning of the word 'Funds'.

Unrestricted Funds, such as the **General Fund**, contain resources that can be used for any purpose of the charity (the meeting) in accordance with its *objects*. Meetings often set money aside for a particular purpose, e.g. delegated to be administered by a Local Meeting. Such money forms a Designated Fund and the treasurer will normally keep a separate record of each such fund. Designated Funds are not Restricted, however, and can be re-designated by the trustees if circumstances change.

Restricted Funds, on the other hand, contain money that is earmarked by the donor, by the testator or by the terms of an appeal for particular purposes or projects, such as the support of needy Friends or the replacement of a meeting house roof. The resources and transactions of the Restricted Funds must be separately recorded in the accounts in their own column in both the SOFA and the **Balance Sheet**.

Area Meetings may well have Restricted Funds like these, held centrally or administered by Local Meetings. Other assets held and administered by Local Meetings, apart from Endowment Funds (see below), should be recorded as Designated Funds of the Area Meeting.

Money donated by members of the meeting in order that the meeting shall pass it on to a specified recipient may also be considered to be a separate fund while it is held by the meeting. This is further discussed under 'Gift Aid' in section 5.12.

Once the purpose of a restricted fund is no longer applicable, e.g. the roof repair is complete, then it may be possible to transfer any money left over to the unrestricted general fund. If the donors are still contactable, their permission must be sought for this; otherwise you must write to the Charity Commission explaining the circumstances and stating the required use of the remaining funds. If feasible, offer to use the funds for a related issue. For example, if the funds were to buy a building then any excess could be used to maintain the property; as this is a related purpose to the original one, most donors and the Charity Commission would agree to the change of use. Forethought in drafting appeal documents can obviate these complications (see section 9.5).

Endowment Funds also have restrictions placed on them, usually by the donors. Where the restriction states that the income can be used, but the capital must be preserved intact, the fund is termed a Permanent Endowment Fund. When the initial sum is received it should be

recorded in the accounts as a capital asset, but it does not have to be shown as income because the Meeting has no power to spend it. The income from the fund is recorded as income each year as it is received. Capital assets of this type may be in the form of property, investments or even cash in the bank.

If the restriction was placed only on the use of the income, and not on the retention of the capital, the fund may be converted to an Expendable Endowment. As capital is released for use, it becomes income by being transferred to an Unrestricted or Restricted Fund, depending upon whether the trust permits expenditure for any of the purposes of the charity or only for specific purposes. Again, the capital assets may also be in the form of investments or cash.

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4 Banking and security

4.1 Banking arrangements

Every Meeting will require its treasurer to operate at least one bank account on its behalf. All cash received should be paid into the bank and all payments should be made by cheque either directly or *via* petty cash (see 5.13, 'Petty cash and the 'imprest' system'). This provides a complete record of the Meeting's transactions through the bank statements, cheque books and paying-in books that the bank provides. Such a record is essential for the production and examination of the annual accounts, and all transactions relating to the Meeting should be a part of it. The Meeting's money should not pass through the treasurer's personal account, even though there may be times when this could seem more convenient*.

* The only possible exception is to enable odd amounts of cash to be paid into the Meeting account by means of the treasurer's personal cheque.

One or more accounts?

Probably the commonest arrangement is for the Meeting to have a current account and some form of deposit account. The treasurer will move money between them so as to obtain the right balance between having enough in the current account to pay incoming bills, and maximising the interest earned by the deposit account.

Sometimes it may be desirable to have separate bank accounts for different purposes, e.g. if the Meeting has a building fund or if it is responsible for restricted trust funds or building fund from which the interest is also supposed to be used for the specific purpose. But separate accounts for different activities are certainly not essential. When there is a single account, the book-keeping system is used to keep the transactions for the different funds separate, rather than having them physically separated. The income and expenditure for each can be clearly distinguished in the analysed cash book (see section 5.8).

Remember that holding all the balances in a single bank account will usually mean lower charges. Also, where it is a deposit or other interest-bearing account, it should attract a higher rate of interest than the same amounts divided between separate accounts.

4.2 The banking environment

Most treasurers will be familiar with operating their own personal accounts. They only need to know how the accounts available to the Meeting may differ from these. However, accounts are generally *similar* in that the banking scene is in a state of continual change. Interest rates and bank charges frequently alter and new types of account and such facilities as Saturday opening and telephone and internet banking have been introduced. In recent years the distinction between banks and other financial institutions such as building societies has become blurred; the terms 'bank' and 'banking account' are used throughout this book to cover all these.

The banking scandals and failures of the early 21st century have raised awareness of risk and led to the institution of the Financial Services Compensation Scheme (FSCS). This indemnifies individuals against losses of up to £85,000 that they have in a bank that fails. This compensation is also available to companies and to unincorporated associations, with certain provisos. Unincorporated associations, which most Area Meetings are, are covered only if their gross assets do not exceed £1.4-million. As this figure will include meeting house values whether or not they are counted in the balance sheet, many AMs are not covered. Companies are included up to far higher levels, defined in terms of income, assets and employees (see *Treasurers' News* 12) that would render no Area Meeting ineligible. Incorporation has hitherto entailed registration as a limited company but from 2013 it can be achieved by registering with the Charity Commission as a Charitable Incorporated Association (section 14.2).

i *Alternative banking arrangements*

The increased competition has given rise to greater choice but has also led the banks to review their charging arrangements. It is desirable for treasurers to 'shop around' and find the best terms. There may be some advantage in treasurers within an Area Meeting using the same bank if it is possible to negotiate more favourable terms. This has become increasingly practical with the development of postal, telephone and electronic banking, together with drawing facilities at a local bank. (See also 12.8, 'Relevant organisations' in chapter 12 on Investment.)

4.3 Panel of signatories

In order to open or to alter an account and to authorise the signatories on it, the Meeting will need to approve a specific minute naming the Friends who will be on the panel of signatories. Bank accounts may be operated by the sole signature of the treasurer up to a specified monetary limit but a second signature should be required on cheques for larger amounts. It is advisable to have at least two other officers authorised to sign in case the treasurer is ill or away for any extended period of time.

i *The bank mandate, and signatories*

A mandate is the form that the bank provides to obtain details about the signatories and samples of their signatures. The bank will also require evidence of each signatory's identity and address.

4.4 Interest-bearing accounts

All banks offer higher rates of interest on funds that are deposited for longer periods and where notice is required for withdrawal. Ensure that the interest is 'paid gross' by the bank – that is, they do not deduct any tax. Guidelines have recently been issued to banks running charity accounts, to ensure that no one obtains tax concessions fraudulently.

They are advised to do one or more of the following:

- consult with the Charity Commission before opening a charity account, to make sure that the applicant is a bona fide charity
- check with the head office of the charity (be ready to direct them to Finance and Property Department at Friends House)
- ask for a registered charity number (Meetings that are excepted or unregistered charities will not have one)

Banks vary in their practice. Some may still accept a photocopy of the entry in the Book of Meetings (photocopy the title page as well). The best preparation would be to ask the bank to phone Friends House requesting a letter addressed to the Meeting, which can be shown to this bank, and then kept on file for the future.

There are also money market deposit accounts that pay even higher rates of interest, with little or no notice required for withdrawals but usually with a higher minimum amount for the initial deposit. Some current accounts, e.g. that of CAF Bank Ltd, also offer interest. Most treasurers operate a current account also, and transfer funds to and from it as required to maintain the minimum balance required and to avoid charges on it.

i **Maximising interest**

Some banks may link current and deposit accounts, so as to keep an agreed minimal balance in the current account by automatically transferring money to and from the deposit account as required. This may make the bank statements more cluttered but has the advantage of maximising interest earned without the treasurer having to arrange frequent transfers. For bookkeeping, aggregate the two accounts, noting that the balance in the current account is constant at £x.

However, the CAF Bank 'sweep system', which links a current account to a higher interest Gold deposit account, may now only be instituted for charities with at least £50,000 in the bank.

i **A specifically Quaker scheme**

The Quaker Social Housing Treasurers Reserve account was launched in 1995 by Triodos Bank and the Quaker Housing Trust. Its funds are invested in ethical projects, sometimes including Quaker-linked housing. Its interest rates are reasonable and there are no banking charges. The Cheque Account provides instant access to funds; and the higher interest Reserve Account is accessible on 33 days notice.

4.5 Who does what and how?

There are nowadays several models for managing the bank accounts of a Meeting and several factors to be taken into account. Underlying many of these are the assurance that the trust we place in each other is not misplaced and that treasurers should be protected from accusations by having safeguards in their financial procedures. An advantage of some of the ways of working suggested below is that they involve more members of the Meeting in its financial affairs. This must raise the awareness of members in the Meeting's finances - perhaps also raising interest and thus increasing the pool of Friends who might in their turn become treasurers. As far as possible, separate the different functions as described in table 5g 'Preventing financial fraud, error and confusion'.

Receiving into the bank

This is generally straightforward as most receipts will be cheques payable to the Meeting. Where cash has to be collected, e.g. at an after-meeting appeal, two people should count it together and sign a slip stating the amount. This can then be filed with other records.

Paying out from the bank

The traditional mechanism of paper cheques described in section 4.3 remains one of the most secure. Each cheque should be drawn to correspond with a voucher explaining the amount payable and the reason for paying it. Blank cheques should never be signed – as has sometimes been done 'to save trouble' in some organizations where two signatures are always needed. This negates the purpose of second signatures and is far more likely to cause trouble than save it. Ideally, for additional security, the person who manages an account, holds the cheque book and makes out cheques should not be a signatory to the account. The persons who do the signing – and who have no access to the account beyond signing ready-made-out cheques – should see a copy of the voucher and check that all appears to be in order.

Alternatives to cheques are now available that are well worth consideration. Payment up to a certain sum on a single authorization with a second needed above that level can be arranged with some banks and accounts using telephone or internet contact. This has the attraction of being convenient, not requiring the second signatory to be in any particular place or to confirm the transaction at a specific time. Each 'signatory' has her or his own online username (known to the principal account-holder) and a password or Personal Identification Number (PIN) and usually a 'memorable word' not known to anyone else. The bank may even issue a particular piece of computer hardware indispensable for action. This should guard against fraud. A

possible drawback is that, in the event of the security details (and, if required, hardware) being stolen, there is no way for the bank to recognize malfeasance whereas a forged signature can, or should, be identified as such. If the bank pays a forged cheque, it is liable for negligence and should refund the money. On the other hand, the destination of each online payment is shown on the statement where usually only a number is shown for cheque payments. As with paper cheques, each signatory needs to see the voucher and why it is payable; scanned images generally suffice.

As well as paying specific amounts as above, meetings may find it convenient to make regular payments by standing order or direct debit, e.g. to pay for utilities. For these, mandates need to be completed and sent to the bank or the originator. Where the sum involved is or may be above the threshold for a single signature – and this will apply to all direct debit instructions – two signatures will be needed.

Transferring between accounts

Here, too, a balance may be sought between convenience and defensive procedures. If transfers from the deposit into the current account are automatic or on the single authorization of the treasurer then there may be no limit to the amount of money he or she can withdraw without reference to a second signatory. In some Meetings the transferring role is given to another Friend - not a signatory on the current account. Transfers from current to deposit account, making money less accessible, may be less in need of stringent checks.

Keeping track of the accounts

Both to encourage interest in finances and to demonstrate probity, some Meetings have two copies of bank statements sent out, one to the treasurer, a second to another Friend. Where the treasurer keeps accounts electronically, as is increasingly the case, that other Friend could also receive a copy of the month's cash book and bank reconciliation. This procedure is perhaps of particular utility where the accounts are kept not by a member of the Meeting but by an attender or a paid book-keeper; a member, who may be 'the treasurer', is then briefed to keep the Meeting informed if necessary of any developments.

4.6 Ethical banking

Friends will rightly be concerned about the ways in which a bank uses the money deposited with it. There is probably little or no difference in the use of short term funds by the various traditional financial institutions, but a number of ethically-orientated alternatives are now available. Some choice is possible without sacrificing the need to obtain satisfactory financial terms (though perhaps at a little inconvenience to the treasurer). Meetings may prefer a particular institution on the basis, for example, of its social policy or its contributions to charity, or be against another one because of involvement with repressive regimes overseas, etc.

Further information, including a list of involved organisations, is in sections 12.5 to 12.8 on ethical investment.

5 Bookkeeping

5.1 Why bookkeeping?

The object of bookkeeping is to keep track of all the financial transactions of the Meeting, with evidence for their reasons, so that they can be summarized and explained both to the Meeting itself and to others who need to know – such as the Area Meeting, the Charity Commission and the public at large. The ‘explanation and summary’ are called the ‘Report and Accounts’. Their structure is detailed in Chapter 6. It is a good idea to take a brief look at that before going into the details of bookkeeping: knowing the destination helps you to plan the route. Then it is simply a matter of care with data entries and arithmetic.

5.2 How to keep books

This chapter explains the basis of bookkeeping, the terminology that needs to be understood, what needs to be done and how this can most readily be accomplished. If you have done no bookkeeping at all before you may need additional guidance.

If you have been a bookkeeper in a different organisation and reckon to be fairly proficient there may yet be distinctive features of charity accounting or the use of accounting in the Society of Friends with which you need to familiarize yourself. Some examples in Appendix 1 illustrate many of the principles involved. Further examples are to be found in the demonstrations offered with the Quaker spreadsheets (section 5.7). If you are already somewhat familiar with bookkeeping, a good way to widen your knowledge is to track through these examples.

5.3 Some simple rules to start with

The main rule is that **you must be able to tell where the income has come from and where the expenditure has gone.**

The independent examiner or auditor and your eventual successor must be able to understand your documents, so: –

- o Keep all bank statements and passbooks, letters, invoices, cheque and paying-in stubs, receipts, etc., preferably in chronological order, with reference numbers on them. Such pieces of supporting evidence for receipts and payments are called ‘vouchers’.
- o Keep records of receipts (or income) and payments (or expenditure) in one big cash book or two smaller ones or use spreadsheets, see section 5.7. Analyse as you go along using whatever headings are required for the annual accounts, see Table 6c, and make sure the arithmetic is correct at every step.
- o Bank all cash as well as cheques. If you need cash, draw it out separately. Keep records of cash transactions by fully entering spending from the imprest account (see section 5.13).
- o Take advice from your predecessor or other treasurers, go on a course at Woodbrooke or consult written teaching material. Most treasurers need help at one time or another and you should never feel isolated in the job.
- o Remember how grateful the non-numerate will be for your efforts, and let this encourage you!

All the detail that follows expands the ‘how’ of these basic rules. This chapter describes *basic good bookkeeping practice* which will provide accurate, usable books and an efficient method of obtaining the end-of-year information. It can be adapted and expanded as a treasurer finds need (but always be aware of your eventual successor and the necessity for a clear, workable, and recorded system). The bookkeeping is described for an analysed cash book but similar principles apply if spreadsheets are used.

‘Analysed’ means with lots of columns so that you can easily keep separate the receipts and payments for different purposes.

i **Woodbrooke training**

Woodbrooke's three-day course 'Being a Quaker Treasurer' starts with Basic Bookkeeping on day 1. It's a good idea to attend it – or take the online equivalent, if available – unless you are already adept, as the subsequent days assume this much bookkeeping knowledge. There are also intermediate courses, for serving treasurers who will be preparing and presenting annual accounts and budgets, and a 24-hour financial stewardship course. For further information, contact Woodbrooke enquiries on 0121 472 5171. Email: enquiries@woodbrooke.org.uk or see www.woodbrooke.org.uk where you can also book online.

5.4 A general introduction to bookkeeping

The same basic system and accounting principles are advocated to all treasurers, however simple or complex their Meeting's finances are. The principles set out briefly on table **5a** below will help to ensure a good set of books that clear up questions as they arise throughout the year, and provide a sound basis for the year-end preparation of accounts. Table **5b** is a guide to the main accounting processes that a treasurer will be undertaking.

i **Taking over an inadequate set of books**

Sometimes a new treasurer will be unable to make sense of the books which he or she has taken over – and the previous treasurer may not be available. In such a case, don't immediately judge yourself as incompetent. A preceding treasurer may have used a workable but idiosyncratic system from which it is difficult to learn – or it may be a bad system, that he or she had previously inherited or had developed as an inexperienced treasurer who hadn't been able to find help. Be assured that if books have indeed been kept according to basic good bookkeeping practice then most ordinarily intelligent and inquiring people can deduce the principles behind them and continue the work. Suspect the inherited bookkeeping system before you blame yourself.

First, check whether the books are at least broadly similar to the examples in Appendix 1. Can you fairly easily enter them up using the practice described here? If not, don't hesitate to change the layout of the cash book, perhaps using the suggested headings on tables 5d and 5e, and to re-enter the current year's figures. Then if necessary change other parts of the system, following the practice described here. If you make adaptations to suit special local situations, be sure to keep an explanatory record, in this Handbook or a local bookkeeping manual.

i **Ensuring that you hand on a good bookkeeping system**

Firstly, of course, use a system based on good basic practice. Ensure that the Treasurers Handbook goes to the new treasurer along with your file of Treasurers' News. Indicate in the margin of the Handbook or on inserted pages of notes where you have differed from its practice and why, and where a description of the local practice can be found. Try to keep notes about all current questions or problems that would make sense to anybody having to take over in an emergency. For non-emergency handover, if your accounts are fairly complex, try to establish a policy in your Meeting that the nominations committee finds a replacement in time for at least nine months overlap and training. If the Meeting is even larger, it is worth considering a pattern of service in which each person serves for six years – a first triennium as Assistant, learning the work and able to take over suddenly if necessary, and the next triennium as Treasurer.

Table 5a Some guiding principles

Using the books	
Enter every transaction <i>promptly</i> , and individually (that is, do not bunch sums into one entry).	Always put the <i>fullest possible information</i> into the 'narrative' which describes each transaction in the cash book.
<i>Cross reference</i> from the vouchers to the cash book by a sequence of numbers.	Ensure that there is a 'voucher' for every <i>transaction</i> , whenever possible.
<i>Analyse income, expenditure and assets to individual Funds.</i>	Develop and maintain a manual of your bookkeeping practice, for your successor.
Handling the money	
<i>Issue receipts</i> for individual cash donations (and others on request).	<i>Minimize cash handling and use cheques</i> for all payments (except petty cash).
Use the ' <i>imprest</i> ' system (section 5.13) for <i>petty cash</i> , and periodically reimburse the float to the set amount.	<i>Always avoid</i> using incoming cash for out payments – <i>use cheques</i> , or turn to the petty cash box for small sums.
<i>Minimize</i> the number of bank accounts, and <i>avoid</i> bank charges.	<i>Maximize deposit interest</i> on short term funds, and ensure that interest is paid gross.
Obtain income <i>promptly</i> ; pay bills <i>promptly</i> ; pass on funds (eg, to BYM) <i>quarterly</i> .	Use <i>subsidiary books</i> for numerous detailed entries (such as petty cash and contributions), with periodic single entries to the cash book.
Reporting and accounting	
Maintain a record of the <i>origins and purposes of all restricted assets</i> , which may be used only for a particular purpose, if the Meeting owns any.	<i>Analyse income, expenditure and assets to individual Funds</i> , as required by SORP.
The treasurer and the Meeting	
<i>Keep the Meeting informed</i> of any major new expenditure or income, or variations from the budget	Ask Meeting (even small local Meetings) to <i>approve annual budgets</i> , overall and for each committee if that's relevant
Provide useful financial information and advice (including knowing where to go for further advice), but let the Meeting take the <i>final decisions</i>	All payments are to be <i>formally authorised</i> , by minute and/or signature on a voucher; by reference to the budget; or by written authority for payments to be made on the treasurer's decision within certain limits
And finally ...	
Obtain advice from a registered financial adviser when <i>making investment decisions</i>	

Table 5b The main accounting processes

Routine tasks	
Daily (or as often as necessary) Check the post; bank large amounts received; circulate invoices for authorisation; pay urgent items; issue receipts for cash received	Weekly Bank all income; pay all authorised invoices; enter the main cash book
Monthly Balance petty cash, restore floats, enter the petty cash book; check bank statement and enter direct debits, standing orders, etc, in main cash book; reconcile bank statement with main cash book; check cashflow and transfer funds to/from deposit if necessary; send bills and reminders to debtors	Quarterly Rule off the contributions record, pass on funds, enter the contributions cash book; produce financial statement; report to Meeting if required; send reminders to contributors
Annually Offer a budget to the Meeting for approval, issue contribution schedules and appeal letters, ensure that the Meeting appoints an examiner or auditor, review investments (with trustees), produce the final accounts, draft the narrative report, arrange for the report and accounts to be examined, arrange for the report and accounts to be approved by the trustees and presented to the Meeting (AMs) or presented to and approved by the Meeting (LM).	
Reconciliations* and controls	
Petty cash Check vouchers against entries in petty cash book, check cash balance is correct and record any surplus or deficit, draw imprest cheque to restore float, transfer totals to main cash book, file vouchers.	Bank account(s) Reconcile bank balance(s) as shown in the cash book with those on the bank statement(s), after adjusting for uncleared transactions
Cash transactions Issue receipts for all cash received; obtain signatures for all cash paid out	Expenditure All payments to be authorised by minute (e.g., William Wail to attend conference) and/or budget (e.g., electricity account) and/or invoice signed by committee clerk (eg, bill for repairing broken windows)
Overall Periodically check income and expenditure against the expectations in the budget, and report significant variances to the Meeting	

* 'Reconciliation' is defined in the glossary and described in section 5.10, page 48.

Why do we keep accounts?

The main purposes of a bookkeeping system are:

- a) accounting (that is, being accountable to others) for what you've received and how you've used it, by means of a record of the income and expenditure of the Meeting for the year (the Statement of Financial Activities or SOFA) or statement of receipts and payments .
- b) telling people clearly in the Balance Sheet (or statement of assets and liabilities) how much the Meeting is worth by stating its assets (cash, investments, property, etc) and its liabilities (what it owes to creditors and in loans), together with information about which funds the net assets are held in
- c) being able to find information easily, both during the year and afterwards, for planning and monitoring financial activity, answering questions, analysing activities and their costs and advantages, etc.

A lot of time can be saved during the year if all the information is well filed and adequately recorded. At the end of the year the aim is a true picture of the Meeting's financial life in a set of Annual Accounts with a SOFA, a Balance Sheet, detailed Notes to expand upon the basic information, and a narrative Report by the Trustees.

5.5 The bases of accounting

The 'Receipts and Payments' basis

Receipts and Payments (R&P) are easy to understand – they are, quite simply, all the items of money that a Meeting receives or pays out. But they may not be a good guide to its actual financial life. The purchase or sales of property or investments do not have an impact on the Meeting's real financial position and should be in a separate category from other items. Besides the Statement of Receipts and Payments, the charity needs to compile a Statement of Assets and Liabilities. The assets include all the charity's money plus any money owed to it; the liabilities are its debts including longer-term loans. Non-cash items need not be included. In England and Wales the charity may add notes by way of further explanation of items in the summary statements; in Scotland such notes are required.

The 'Income and Expenditure' (accruals) basis

The Income and Expenditure* (I&E) basis includes in the final accounts only that income and expenditure applicable to the accounting period (year) itself. Receipts or payments in advance or related to previous periods will be included among creditors and debtors (see table 5c below), carrying over from year to year what has accrued – hence the name 'accruals accounting'. On this basis, the depreciation and other changes in value of assets are noted in the accounts. The result is a fair picture of the changes in resources of the Meeting over the period. All the following instruction and examples are provided on this basis. Besides the I&E summarized in the SOFA, the charity needs to compile a Balance Sheet. This summarizes as positive all the money and property plus any money owed to the charity, including prepayments. Offset against this are the creditors: the money owed to others, including longer term loans and the charity's known commitments. Notes are required to give further information about what is baldly stated in the SOFA and balance sheet.

* For some reason SORP 2005 calls Income 'Incoming Resources' and Expenditure 'Resources Expended'. In this chapter we shall mostly use the former, shorter terms.

When each basis may or should be used

Non-company charities with a gross income not exceeding £250,000 (£100,000 in Scotland) may now provide accounts on a Receipts and Payments basis (Table 6a). Remember, from section 3.2, that the standard Quaker 'charity' is the Area Meeting with all its LM accounts collated into one total. If you are using the R&P basis be ready to switch to I&E if, for instance,

you have a successful appeal for your building repairs or a legacy that brings your income for the year over the limit. It would, indeed, be good practice for even the smaller Area Meetings (and consequently also their LMs) to use the 'Income and Expenditure' (accruals) basis.

Whichever basis you use, make sure that transfers between bank accounts are not included: make sure they are removed before the year end accounts are drawn up. Transactions as agent (see section 5.9) must be reported but this may be done separately in R&P and must be only in a note to the accounts in I&E.

Table 5c Debtors, prepayments, creditors and accruals

Term	Meaning	Example
Debtor	You are owed money	Tax refund claim; hirings invoice
Prepayment	You have paid for goods or services not yet received	Deposit to attend conference next year
Creditor	You owe money or the equivalent	Invoice or bill received; hirings for which you have been paid but that have not yet happened
Accrual	You will owe money and need to estimate how much	Building work done but not yet invoiced; clerk's expenses yet to be submitted

If you have recorded some debtors and creditors at the end of the year you will need to be careful during the following year when the corresponding receipts or payments actually happen*. If these were included in last year's budget you won't need to include them when you are checking progress against this year's budget. Many bookkeepers concern themselves with this only at the end of the year. Some prefer to keep track of the situation during the year. Such transactions are exemplified in Appendix 1.

* Professional accountants who want always to see a clear picture use debtors and creditors all through the year, e.g. by recording an invoice as a creditor as soon as it is issued, then 'discharging the creditor' when the invoice is paid.

5.6 A treasurer's systems, procedures and records

This section and the next one give background advice about bookkeeping in general. They contain generally useful information, though beginning treasurers may find that they need to consult other sources if they are to take it in thoroughly. Occasional re-readings will be a help, as your experience develops.

What is a 'finance system' anyway?

A *set of books* includes a cash book, subsidiary books, related papers and the end-of-year accounts. Every treasurer has one, of some sort. But a *finance system* is a set in which:

- all the parts relate to each other in a systematic manner
- all the information flows from one part to another with the least effort, adaptation, and risk of error
- the information is organized so that it is easy to answer questions, provide analysis, and prepare the end-of-year Accounts.

The documentation and methods needed are summarized in the first three bullet points of section 5.3's *simple rules* and expanded in the check list below.

Keeping a record of your own procedures

A set of well documented procedures is an ideal which few treasurers achieve! However, a good start is personalize this *Handbook* by inserting into it:

- the instructions and suggestions from a treasurers' course at Woodbrooke;
- your own notes of what, when and how things are done in your particular Meeting;
- information from *Treasurers' News* and from Treasurers Conferences.

This is not only for your own guidance but to help in recruiting and handing over to a successor. Add to it as you receive fresh information or develop improved methods.

Systems and records check list

In addition to setting up good bookkeeping methods, the treasurer should ensure that there are:

- convenient and economic banking arrangements (see Chapter 4, 'Banking and security')
- clearly understood arrangements for the authorisation of payment, preferably documented (for example, by minutes, and in the local Handbook)
- ready access to previous accounting records (which must be kept for at least six years)
- instructions about the financial reporting required by the Meeting

You will then need to check that a number of books, files and systems are available or in place and, if not, to set about creating them. It is necessary to have, obtain, provide or create the following:

Analysed cash book The main record will be in a cash book with all analysis across the double page and spare columns if possible (see section 5.8 for details). This cash book can be in the form of the Quaker spreadsheets described in section 5.7 but remember to print out paper copies.

Routines for entering up the cash book and for periodic reconciliations. ✓ The former will have to fit into your time and other activities; the latter needs to be done on a calendar basis, preferably monthly though a very small Meeting might do bimonthly or quarterly reconciliations.

✓ A reconciliation is the process of ensuring that the cash books and the bank statement agree. You'll find how to do it in section 5.10, 'Verifying the work'

Separate smaller books, analysed if necessary, for records of contributions, petty cash, debtors and creditors. Entries in these will be linked by cross-reference with entries in the main cash book (see Appendix 1).

A register of investments, assets, etc (Appendix 1, 'Assets and Investments records')

A system for contributions, using the smaller book and some method of reminders, for obtaining, recording, analysing and (where necessary) forwarding contributions from Friends (see Appendix 1, 'Contributions and Collections Record').

Petty cash box(es) with float(s) and instructions (see section 5.13, 'Handling petty cash and the 'imprest' system).

Arrangements for collections after meeting for worship – receiving, recording, storing and banking – making sure that they are checked and signed for (see section 5.16 'Preventing fraud, error and confusion').

Information about methods for tax-effective giving, including charity vouchers and Gift Aid (see section 5.12, 'Tax-effective contributions').

Routines for receiving and banking income, including charity vouchers and Gift Aid (and the ability to explain the different systems and which is the most effective in any particular situation) and also standard duplicate receipt books for cash (if required).

A routine for making payments, including expenses claim forms for representatives, committees, etc.

Binder for bank statements (sometimes provided free by the bank).

Filing systems for all vouchers, correspondence, minutes, reports, Annual Report and Accounts, etc. (e.g. suspension files in a box or cabinet – best for most of them; ring binders keep the sequence of vouchers).

Fine red and black pens; fine pencils (preferably clutch or propelling, which stay fine – soft 2B or 3B leads are easier to erase).

Further possible requirements – asset records to include investments, land and buildings; records of trusts and other special funds with their origins and purposes; an inventory of fixtures, fittings and furniture with replacement costs; room-hire billing system; payroll system.

5.7 A computerized Quaker bookkeeping system

Most of the guidance in this Handbook assumes the use of a hand-written cash book, but the principles apply equally to a computerized system. However, the latter greatly reduces the arithmetic and the risk of error, especially for Meetings with more complicated finances.

In particular, a set of spreadsheets – commissioned by Quaker Communications Department – has been designed especially for Quaker purposes. Their appearance and use mimic manual books. You don't need to be familiar with spreadsheets in order to use them as they come with full instructions and are straightforward to use. The examples provided in their various Demo files are excellent and worth studying even if you do not propose to use a computer for your own bookkeeping.

As they work in the same way as manual books, you still need to understand basic bookkeeping first, either from a treasurers' course or from other sources. Some practice first with a manual system provides the best foundation.

If you prefer to design your own spreadsheets, it is best to make those that will be shared – for example, with the collating treasurer, the Examiner, and your successor – very similar in layout and appearance to the examples in this *Handbook*. This will save others the difficulty of having to learn an unfamiliar setup before they can proceed with their work. Your own worksheets can of course be in the layout which is most congenial and helpful for yourself.

In all cases, be sure to print out and keep paper copies both for legal reasons and for a possible non-computer successor.

The spreadsheets for Quaker Treasurers

Three spreadsheets are available for Quaker treasurers, covering the major tasks facing treasurers:

- o recording receipts and payments;
- o creating the annual report;
- o collating the Area Meeting accounts.

Each spreadsheet has a user guide to explain how to install, customise, and use it. The first two spreadsheets were designed for Local Meeting treasurers, but are equally suitable for treasurers of Area Meetings and other Quaker bodies.

Cash book spreadsheet

This enables the treasurer to record all the receipts and payments, replacing a manual cash book, and providing automatic totalling and bank reconciliation. It can automate the handling of claims for Gift Aid, and it can summarise the contributions from each donor. You can customise the spreadsheet for your Meeting using the categories of receipts and payments you need. There are two versions of the spreadsheet - one is empty and ready for your data, and the other includes demonstration data to show how it looks when completed.

End of year spreadsheet

This collects up the totals from the Cash Book and converts them into the annual report for presentation to the Meeting. It includes sample notes to simplify and speed up the process. There are two versions of the spreadsheet - one empty and the other with demonstration data. The format of the annual report is designed to match the requirements of the Charity Commission's SORP 2005.

AM collation spreadsheet

This collects up the accounts of all the Local Meetings in an Area Meeting and brings them together in a process known as collation. This gives an overall view of the finances of the whole of the Area Meeting. It also provides the Managing Trustees with a skeleton for their annual report, including notes, accounting policies and background legal information. There are two sizes, one holds up to 12 Local Meetings and the other up to 20.

Availability

All these files are distributed free for Quaker treasurers to use for your accounts. Support is available, so you will be able to ask for help if you have any problems with installing or using these files. Versions of the spreadsheets are available for Microsoft Excel and for OpenOffice or LibreOffice. They can be downloaded from www.quaker.org.uk/spreadsheets-treasurers.

5.8 About the analysed, main cash book

For manual bookkeeping*, suppliers such as Collins and Guildhall produce ranges of ruled analysis books. After reading the following sections, decide upon the minimum number of columns you will need. If you can, have spare ones available as well. Most Meetings have only one cheque account, and need only one analysed cash book. If you have a large number of categories through that account, the use of two separate books (with anything from 10 to 20 columns) – one for Receipts, the other Payments – can be convenient. Some treasurers with two or more cheque accounts prefer to have them all recorded in one cash book, but a fairly busy Meeting may simply not have enough space in it and would have to use several.

* The principles of this section apply also to accounts in electronic forms such as computer spreadsheets.

All books will be 'ruled off' at the end of each month. A line is ruled across the page leaving a few blank lines above it for later additions or corrections, after which totals can be entered below it. A few lines below that, again, or on a new page, the new month's entries can begin (see 'Leaving enough space ...' in section 5.10). If a book records bank transactions, it should be reconciled with the bank statement (see section 5.10, item 'Bank reconciliation'); this will often not be possible until some days into the following month.

Having *two physical sets* of books can also be very useful, for alternate years, so that the bookkeeping is not delayed in the new year because the previous year's books are with the auditor or independent examiner.

The main cash books aren't mainly for cash!

Confusingly, the main 'cash' books record everything that goes in and out of the bank, so they include the handling of both cheques and cash paid in (but it would be even more confusing to call them bank books!). If the Meeting has a considerable number of small cash receipts, say for coffee mornings or book sales, they may be recorded in a separate 'Petty Cash' book by the warden or collector (see section 5.13 'Handling petty cash and the 'imprest' system'.)

Considering the analysis columns

Sometimes you may have to set up a new bookkeeping system or review the existing one in the light of changing circumstances or new accounting practices. If you are a LM treasurer, start by asking your AM treasurer which headings he or she needs in your Final Accounts, in order to do the collation. Then to help you understand these, and the legal requirements, read Table 6c 'SOFA format as provided by the SORP' and Table 5f 'SORP 2005 categories'. Your analysis, and that of all the constituent Meetings in the Area Meeting, must aim at these standards.

SORP requires especially that “those resources generated by charitable activity”, which for us means worship and all support for worship, be kept separate from “those activities aimed primarily at generating funds*” (para 118). This gives a basic set of income headings like those included in table 5d. Similarly the expenditure associated with generating those resources should be separated and Table 5e includes possible column headings for outgoing resources as well as other payments. As a further guide to choosing, naming, and grouping the columns, Appendix 1 has a few sample pages but not as big a range of sub-headings as you are likely to need. Draft a list, and ponder it for a while. Don’t enter up a cash book until you’ve confirmed the necessary headings!

* What the SORP means here is not ‘funds’ but ‘resources’ – on its own definition – so we generally use the latter term.

The minimum categories of Receipts and Payments in the cash book will be those that your Meeting requires for the Annual Accounts. If you have separate funds, e.g. a **designated fund** for the library or a **restricted fund*** for education, each will need its own columns. You should aim as far as possible to have a column for at least every item that will have its own line in the accounts. However, more detailed analysis, in sub-categories, can be a great help in reporting or in answering questions during the year.

* For details of different fund categories see section 3.5

It is a good idea to think in ‘system’ terms and to make sure that the budget, the cash book analysis, the reports compiled throughout the year, and the Annual Accounts, all use the same categories *and the same sub-headings* in the same order. How the various columns are used is explained in the next section, 5.9 ‘Making entries’.

i ***You don’t have to write the headings every month***

The top strip of all the pages contains the boxes for headings; leave this strip on the first page, and then cut it off several of the following ones. Now, with the book open so that you can see the left-hand (Receipts) strip and the right-hand (Payments) one, with the trimmed pages beneath them, enter all the headings on the two strips. Then as you complete each page and turn over, the headings will still be visible above the next one. If there is a change of headings mid-year, repeat the process.

Table 5d Possible column headings for the Receipts pages

Category	Column heading	Comment
Narrative columns	Date Description Reference On statement	full details here series of numbers R1, R2 ... to check on reconciliation
Sum of receipts banked	Total banked	to seek on statement
Incoming resources: Voluntary income	Contributions for LM Collections for LM Grants and Legacies for LM	Donor identifiable Donors not identifiable
Activities for generating income	Hiring Rooms Sales	Gross proceeds
Investment income	Investment Income	interest, dividends, rents
Income from Quaker activities	Quaker Activities under various headings	e.g. Quaker book sales, contributions to gatherings, etc.
Other incoming resources	Other receipts	
Other LM funds	Fund name(s): 1 per column	Designated or restricted here
Transfers within AM	Transfers from within the AM	Balance out on collation
Transfers within the LM	from other bank accounts, etc	Balance out within LM
Income for AM and BYM	Specify which Meeting(s)	see 5.12 'Gift Aid'
Acting as agent IN	Special Collections, etc.	see 5.9 'Acting as agent'
Notes on transfers, etc	explaining the situation	see examples in Appendix 1

Table 5e Possible column headings for the Payments pages

SORP category	Column heading	Comment
Narrative columns	Date	full details here series of numbers to check on reconciliation
	Description	
	Reference	
	Cheque number, etc.	
Amount of current payment	Total out from bank	to check with statement
Costs of generating income	Collecting costs (voluntary)	printing, postage, etc.
	Hiring direct costs	things for hirers only
	Sales costs	cost of goods for profit
	Investment costs	e.g. costs of rented house
Costs of Quaker activities	Committees and conferences	
	Trustees' Expenses	
	Others' Expenses	
	Other costs of Quaker activities	These may require several columns
	Donations to BYM, etc.	
	Grants to individuals	
Costs of governance	Trustees' expenses	must be declared to CC
	Other Costs of Governance	
Support costs	Staff wages	These costs may be allocated between the activity categories: generation of resources, Quaker activities and governance, depending on the way that the Meeting house is used – see page 45.
	Employer NI	
	Employer pension	
	Equipment and Furniture	
	Insurance	
	Materials and supplies	
	Repairs and maintenance	
	Utilities	
	Support fund	
Transfers within AM	Transfers to AM	These balance out in the AM collated accounts
	to other LMs	
Transfers within the LM	to other bank accounts, etc	Balance out within LM
Funds for AM and BYM	AM fund	Passing on contributions with recovered gift aid
	BYM fund	
Acting as agent OUT	Special Collections, etc	see 5.9 'Acting as agent'
Notes on transfers, etc	explaining situation:	see examples in Appendix 1

A more detailed list of likely headings appears on the next page. An advantage of computer spreadsheets is that they are not as restricted in width as are paper cash books. However, do not subdivide categories beyond what your Meeting would really like to know about or your auditor or independent examiner requires.

Table 5f SORP 2005 Categories**INCOMING RESOURCES****Voluntary income**

LM contributions (and tax reclaimed)
 Collections for LM
 Grants to LM
 Legacies to LM
 LM appeals
 Other

Activities for generating resources

Meeting house hirings
 Sales for profit
 Other

Investment income

Bank interest on deposits
 Dividends on shares, etc.
 Rents from investment property
 Other

Income from Quaker activities

Sale of literature
 Other

Other incoming resources

Other

FURTHER RECEIPTS**Transfers**

From Area Meeting
 From another LM in this AM
 Into a fund or account from another one

 for information only - not included in SOFA

Acting as agent IN

Special collections received
 Other receipts to pass on
 Reimbursement from others

RESOURCES EXPENDED**Costs of generating income**

Printing, advertising, etc.
 Cost of goods for sale
 Direct costs of hiring
 Investment management
 Other costs of generating funds

Quaker activities

Catering
 Children and young people
 Committees and conferences
 Refunds of expenses for trustees
 Refunds of expenses for others
 Library
 Outreach, publicity, newsletter
 Other costs of activities
 Donations to BYM
 Donations to other Quaker bodies
 Donations to non-Quaker bodies
 Grants to individuals

Governance costs

Trustees' meetings
 Legal and audit/examination fees
 Other governance costs (SORP § 211)

Support costs (to be apportioned)

Equipment and furniture
 Materials and supplies
 Repairs and maintenance
 Utilities (elec, gas, water, phone, etc.)
 Insurance
 Staff wages and salaries
 Employer's NI contributions
 Employer's pension contributions
 Bank charges
 General accounting fees
 Depreciation
 Other support costs

FURTHER PAYMENTS**Transfers from LM to AM or other LM**

To Area Meeting
 To another LM in the AM
 Out of a fund or account to another one

 for information only - not included in SOFA

Acting as agent OUT

Special collections passed on
 Other receipts passed on
 Payments on behalf of others

5.9 Making entries

This section contains extra material which should be helpful even to somewhat experienced bookkeepers, such as those who have been to a new treasurers course at Woodbrooke, or have already started making entries in cash books laid out as taught there or advised in this *Handbook* or its earlier editions.

Refer to the supporting documents

Sequentially number each entry in the cash book, both Receipts (R) and Payments (P) . Whenever possible, file a source document (a voucher) for each entry, writing the number on it. This will help both you and the examiner or auditor (see example sheets in Appendix 1).

- For payments, also note the (last part of) the cheque number, and write it on the invoice or other supporting document also.
- When entering items directly from the bank statement at the end of the month, take the date from the statement.
- For cash that is paid into the bank, the number from the receipt book* can be used.

Subsidiary records, such as petty cash (section 5.13), debtors and creditors, or the contributions record (section 5.11) can then cross-refer to the cash book R and P serial numbers.

Handling invoices

When invoices are received, first check that they are indeed new invoices and neither statements of amounts owing nor re-issued invoice reminders. Then place them in an 'Unpaid' folder. Make sure that you have proper authorisation for the payment, such as a minute or an entry in the approved budget. As they are paid, it is best to mark them with the cash book P number as well as the cheque number and the date of payment; then file them in the 'Payment vouchers' folder.

At the end of December send cheques for as many of the unpaid invoices as possible; the remainder must be listed as creditors (see section 5.5, above).

Friends' expenses are mostly costs of Quaker activities

Almost all the tasks done by clerks, treasurers, elders, overseers, and others are part of our work of 'the advancement of religion'. The reimbursement of their out-of-pocket payments for postage, phone calls, etc. may accordingly be recorded within the costs of Quaker activities. The SORP requires, however, that the expenses paid to trustees acting as such should be declared: hence the separate heading even within this category. Make sure that these expenses do not include reimbursement for outlay by Friends on behalf of the Meeting for other specific purposes, e.g. the purchase of books for the library.

'Support costs' cover more than one activity

The caretaking and cleaning of the meeting house, repairs and maintenance and heating and lighting are included in support costs: whilst 'necessary to deliver an activity, [they] do not themselves produce or constitute the output of the charitable activity' (SORP GL 54). Support costs would also include much AM expenditure and other costs that apply to more than one activity. For inclusion in the accounts, they should be apportioned between income generation, charitable, i.e. Quaker, activities and governance costs. Such apportionment must have a reasonable basis but need not be very detailed. For example, if in an average week the meeting house is used for Quaker activities for about 12 hours and by hirers for 18 hours it is reasonable to set off 60% of the support costs as hiring costs with 40% for Quaker activities.

Terms used for entries: Credit = pay in; an entry in the Receipts column. Debit = take out; an entry in the Payments column. Some banks now head the columns on their statements 'Paid in' and 'Paid out'. We shall variously use these terms or the more common 'Receipts' and 'Payments'..

* A duplicate (carbon-copy) receipt book must be used for all cash received – it's your only record.

Invoices can be filed by their date, or the date of their payment – but if you drop the lot on the floor, by far the easiest way to put them back in order is with large clear numbers!

‘Governance’

The SORP glossary defines governance costs as those ‘which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity.’

Paragraph 210 adds this detail: ‘These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. They include the strategic planning processes that contribute to future development of the charity.’

Governance costs will include those incurred in connection with:

- the management of all the Meeting’s fixed assets (for example, surveyors’, architects’ and solicitors’ fees).
- organisational administration (distinct from administration related to worship, and therefore unlikely to affect a Meeting)
- compliance with constitutional and statutory requirements (cost of membership records, costs of trustees’ and management meetings, legal, valuation and audit/examination fees)
- any costs associated with the strategic as opposed to day to day management of the charity’s activities.

Where material, there should also be an apportionment of shared and indirect costs involved in supporting the governance activities (as distinct from supporting its charitable or income generation activities).

Most local Meetings will have very little in this category, but AM treasurers often have to deal with it, e.g. examination or audit fees; investment *advice*, as distinct from *management*. If in doubt about how to record costs incurred in the management of the Meeting it would be best to consult Finance and Property Central Department at Friends House.

Transfers within AM

Since *the* charity is the “Area Meeting with all its constituent Meetings”, and the Annual Accounts are for the whole put together, then financial transactions between any of the Meetings are not income and expenditure for the charity, but are transfers *within* it. These will usually be between the AM and the local Meetings, but could be between two local Meetings, e.g. when one sends money for another’s building appeal.

Entries for any one Meeting will not cancel out, as transfers between its bank accounts do, and for the two separate treasurers involved the entries will function like income or expenditure. However, when all the Meetings’ accounts are collated for the Annual Accounts these figures will go on the line named ‘Transfers between funds’, and there they will either cancel out to zero or the reason they don’t can be explained in the Notes (See Appendix 1).

Transfers between the accounts, etc. of the LM

When money is transferred between, for example, a Meeting’s current account and its deposit account (perhaps a frequent event when a treasurer is trying to maximize interest), the transaction doesn’t make any difference to the Meeting’s financial position and the sum is not either Income or Expenditure. But it does show up on the bank statements for both accounts, and must be shown in the cash books. Similarly buying or selling an investment is a transfer within a fund of the Meeting – see entry R24 in Appendix 1. However, transfers between funds within the Meeting, particularly from restricted funds, will need to be shown in the accounts.

‘Acting as agent’ explained

This category is for money collected on behalf of other organisations or people and simply passed on to them. It is defined in SORP 2005, paragraph 112:

‘Some incoming resources do not belong to the charity, for instance where it receives the resources in circumstances where the trustees, acting as agents (and not as custodian trustees), are legally bound to pay them over to a third party and have no responsibility for their ultimate application. In these circumstances the transaction is legally a transfer of resources

from the original payer (who remains the principal) to the specified third party. If the original payer retains the legal responsibility for ensuring the charitable application of the funds, the intermediary charity should not recognize the resources in the Statement of Financial Activities or the balance sheet.'

These contributions, that the Meeting simply receives and passes on, are known as 'Acting as Agent' contributions. As SORP explains above, they should not be included in the SOFA or the balance sheet, and instead they are summarised in a note about Acting as Agent transactions that accompanies the financial statements at the year-end.

However, if you wish to claim Gift Aid on contributions for other bodies, such as BYM, that money must be paid into a designated fund of the Meeting and it will then be included in the SOFA and Balance sheet. As the Meeting is taking ownership of these contributions before passing them on with Gift Aid added they are not described as "Acting as Agent". – see section 5.12.

Using the 'Acting as agent' columns

Money received and paid out 'as agent' is not a part of the Meeting's Income or Expenditure so it is entered in its own columns on the Receipts and Payments pages so that it can be separated from the Meeting's figures when doing the Accounts. 'Acting as agent' entries should have reference numbers or descriptions that can be matched or cross-referenced in the Receipts and the Payments narratives. This makes it easy to check that each receipt has been sent on correctly.

Note that donations sent to BYM or other charities from the Meeting's own funds (authorised by Minute, of course) are items of expenditure and go in the 'Grants and Donations' column.

5.10 Verifying the work

Verifying the cash book entries, and totaling them, will usually be done monthly*. The cash book should be ruled off and all the arithmetic checked. This may be done by cross-casting.

Check, with a bank reconciliation, that the cash book and the bank statement agree with each other. They are the foundation of all the future procedures.

Check, too, that your analysis (placing figures in columns) is correct, adjusting them if necessary with a **journal transfer**.

* A very small Meeting with few entries can rule off the book less frequently, say bi-monthly, or even quarterly, requesting bank statements for the appropriate periods.

Cross-casting

This consists of: (i) adding down the page the total paid into (or taken from) the bank and the total for each contributing column; (ii) adding the contributing column totals across the page; and (iii) checking that the total banked (or withdrawn) equals the total across the page of all its contributory columns. If not, locate the error. ✓ (See examples in Appendix 1.) If you have more than one bank account in the cash book (at the bottom of the columns) then you will need to do this for each of them if they are in separate books or for all together if they share a page.

✓ Clue – if the difference between the totals is 9 or a multiple of 9, you have probably transposed two adjacent digits (eg, have written 47 instead of 74). Look for this discrepancy in the figures.

Cumulative totals, for the year so far

Some treasurers like to add each month's totals to the totals of the year so far, obtaining 'cumulative totals' as a means of monitoring progress. It can save time in adding up the totals of all the months at the end of the year but must be done very carefully – and with cross-casting to check.

Leaving enough space on the cash book pages

Leave a few lines at the bottom of a month for that month's totals and also for additional items notified late (e.g. off the bank statement), corrections of the analysis, notes for the eventual year-end preparation of the examination, carrying forward balances from the previous month or accumulating balances from month to month. If one month is to follow another on the same page, leave perhaps half a dozen lines in between. If you have to start a new page mid-month, use the last line of the old page to enter the totals of all the columns, being sure to cross-cast them (see above); then bring these totals carefully and accurately forward to the new page.

Making corrections in the cash book: journal transfers

Treasurers who make their initial entries in pencil can rub out and enter the correction; cross-casting again to make sure that a different error hasn't slipped in. When all is correct, the pencil entries should be inked in. The completed section is now inviolate (even if it is in blue!); never obliterate an inked entry. Crossing-out and adding correct figures is untidy at best, sometimes misleading, and does not always provide a clear 'trail'. If at later date it becomes clear that an entry was analysed wrongly (or even had wrong figures) a correcting extra line needs to be added further down the book: a **journal transfer**. Examples are given in Appendix 1.

Bad debts

Sometimes, despite your reminders, a debtor may fail to pay. Trustees should decide the course to be taken. Applying through the courts to enforce payment can be necessary if a substantial amount is involved. Otherwise the debt may be 'written off'. If the debt was incurred in the same year it could be written off by a contra entry (journal transfer) on the Receipts / Income page. If the debt was from a prior year and the debtor was brought forward in the balance sheet then the writing off could better be by means of a journal transfer on the Payments / Expenditure sheet under the relevant column of costs, e.g. 'Cost of hirings' if the debt related to hiring. The way that bad debts are handled could be briefly mentioned under accounting policies in the notes.

Bank reconciliation – checking the bank statement

It is important for the treasurer to check that, if the balances shown in the cash book and on the bank statement are not identical, the difference can be explained. This process is called a 'bank reconciliation'.

This entails checking the entries on each against the other, ticking both where they correspond. Entries left un-ticked on the bank statement will be those of which you were not previously aware, e.g. standing order or dividend receipts; direct debit payments. Enter these in your cash book and tick them there and on the bank statement. Now rule a line under the last entry on the page and add each column. This gives the **adjusted cash book balance**.

Next write on a separate piece of paper the closing balance from the bank statement and write under it all the un-ticked amounts from your cash book. Show unpaid cheques as negative by writing the amount in parentheses: (14.56) rather than -14.56. This is normal accounting practice and makes the difference between negative and positive amounts more obvious. Sums paid in but not yet on the bank statement are, of course, positive. Now take the algebraic sum of all that list of numbers. This decreases the original bank figure for all the cheques you have written that have yet to be paid and increases it for your recently banked receipt. The result is the **adjusted bank balance**. If this is not the same as the adjusted cash book balance you must check through again, more carefully, to find the error!

5.11 Handling contributions and collections

The contributions record

Friends often make contributions to the Meeting with the wish that part be passed on to one or more other charitable Quaker bodies or funds. If passed on just as received, the money is handled 'As Agent' – see "Acting as agent" explained' in section 5.9. Contributions on which Gift Aid is recovered must pass through a specially designated fund – see 'Dividing contributions between different recipients' in section 5.12. More than one set of columns may help to keep track of this.

If there is a separate bank account for the contributions*, do a bank reconciliation; if there isn't, remember to include these deposits in the main reconciliation at the appropriate month-end. At least every three months, the amounts due to all the beneficiaries (other than the Meeting itself) should be totaled. Write the cheques, and enter the payments in the Contributions record and in the main cash book.

* It is not necessary to have a separate bank account for contributions. However, if indeed there is one, it would still be best to follow the procedure described, and to have a column for the totals from this account in the main cash book.

Special collections

Special collections could also be recorded in a separate small cash book, if there are enough of them, and the total transferred monthly to the cash book. But for a small Meeting they will probably go straight into the main cash book. In either case, since the final Accounts should distinguish between collections for the LM and special collections intended for other recipients, the cash book entries for the latter will be in the 'Acting as Agent' columns (often shortened to 'AasA' or 'as agent'). For details of AasA, see the item about it in section 5.9 'Making entries'.


Collections may be handled by responsible Friends


While many treasurers are content to put special collections through the Meeting's books, in some Meetings the Friend who speaks to the collection is also responsible for collecting the money afterwards, counting it with someone else to verify the amount, sending it to the intended recipient and getting back a receipt to present to the Meeting – perhaps via its Collections Committee. This eases the burden on treasurers and may be a source of additional satisfaction to the responsible Friend who has the recipient's interests at heart.

5.12 Handling tax-effective contributions

This section deals with the practicalities of handling and recording various tax-effective contributions. To understand it in context, see Chapter 9 on Collecting and 'fund-raising'. Contributions made by one of the available 'tax-effective' methods are an important source of additional income for the Meeting. However, they do involve the treasurer in more complicated bookkeeping, especially if the contribution is to be divided between the Meeting and other beneficiaries. A contributions record should be kept, as illustrated in Appendix 1.

Charity vouchers

Many Friends use charity vouchers issued on an account with the Charities Aid Foundation (CAF) or a similar organisation. As the agent, whether CAF or other, has already recovered the tax from **HMRC** (see Glossary in Chapter 15 if necessary) and credited it to the individual donor's account, the recipient charity receives simply the amount written on the voucher. This makes the treasurer's work easier. 

 Be alert – Some Friends arrange for their contributions to be sent via a bank Standing Order, and they just turn up on the bank statement. Keep a record of reference numbers and names.

i Handling charity vouchers

In order to obtain the money, you must complete the voucher and send it back to the agent (e.g. CAF) with information about the Meeting's bank account. To prove that the Meeting has the right to receive the money, which will already include refunded tax, you should confirm its charitable status by providing a registered charity number or an HMRC reference number or just stating that it is "a constituent Meeting of the Religious Society of Friends (Quakers)".

Before posting back the voucher, enter the details in the list of vouchers received, as shown in the 'Contributions and collections' page, Table A1d of Appendix 1. The entry should contain the CAF (or other) account number and (perhaps only the last three digits of) the agent's voucher number. You need this because the agent will pay directly into the Meeting's bank account (usually within three weeks) and these two numbers may be the only identification on the bank statement.

You may immediately record the amount of the voucher in your cash book as if it had been paid into the bank, checking the entry off as received in your monthly bank reconciliation when the cash arrives from the agent. The corresponding entry in the contributions cash book, as shown in Table A1d, 'Handling contributions and collections' to confirm receipt can also be ticked.

i Tracking contributions outside the main cash book

As contributions are being entered in the subsidiary book, identifying the donor and the intended recipients, it is possible to manage without also recording the individual receipts in the main cash book. At the end of each month or quarter, depending upon the number of transactions, total and cross-cast the Contributions columns, as described for the main cash book. Then enter the total only of the receipts in the main book, analysed only between sums for the Meeting in the 'Contributions' column and money for others in the special funds and 'As Agent' columns.

While this avoids some duplication of writing, it is then necessary to use the entries in the Contributions record for checking details against the bank statement during each reconciliation process and the main cash book will not closely parallel the bank statement.

Payroll giving (Give As You Earn, GAYE)

Some Friends arrange for charitable donations to be deducted from their pre-tax pay or pension and passed by the employer to an agent such as CAF. The donor then gives the agent instructions on how the amount is to be distributed, usually every month or quarterly on a standing order basis. There is no further tax to be recovered on such contributions. Some treasurers find tracking such contributions irksome.

i CAF contribution via the payroll

For the treasurer, the difficulty is that the only notification of receipt is an entry on the bank statement with the amount and a reference number, but no name. Make sure that you obtain this number from any Friend contributing through such a scheme. Such contributions can only be entered in the cash book during the bank reconciliation process when the items can be seen on the bank statement.

Gift Aid

Encourage all contributing Friends who pay income tax or capital gains tax to complete Gift Aid declarations. These are simply worded and can easily be obtained from Quaker Communications Department or HMRC. HMRC also provides forms* to be completed by the treasurer and used to recover the equivalent of the basic rate tax that had been paid by the contributor before they received that amount of their income. Gift Aid claims must be made no

* HMRC forms: see www.hmrc.gov.uk/charities/gift_aid. Note that the regulations change from time to time.

later than **four years** after the end of the tax year to which the claim relates. It is a good idea to make claims promptly anyway, of course. This is particularly so for the period from 6 April 2008 to 5 April 2011 when HMRC will pay a 3p 'transitional relief' supplement in addition to the tax reclaimed – but only if the claim is made within **two years** of the gift.

Contributions will come in two parts, firstly the payment by the contributor, and subsequently the tax repayment by HMRC. Bank each part and enter it in the cash book when it is received. Note that only Friends who have paid the tax already can use the scheme, and they should check that they don't try to give you more tax than they have given to HMRC. If by mistake they do, HMRC may well recover the money from them later.

From April 2013, the Gift Aid Small Donations Scheme will allow qualifying charities to claim on up to £5,000 of 'small donations' (not over £20 each) in each year without the need for Gift Aid declarations. This allows charities to claim a Gift Aid style payment on donations received in circumstances where it is difficult to collect donors' details, or where donors may be reluctant to give them, e.g. where members make donations on a plate or in a box after meeting. Details of the scheme were outlined in *Treasurers' News* 19, February 2013, see also HMRC's explanations at www.hmrc.gov.uk/charities/online/index.htm.

i **You can use envelopes to collect Gift Aided contributions**

Some donors who like to give week by week in cash may be qualified to become Gift Aid donors. For them – and for your meeting – envelopes may be useful. If a separate declaration has been made, the envelope need only make clear from whom the contents come. This, in turn, can be by writing a number on the envelope as long as the collector has a register of whom that number represents. This should prove simple for the donor.

The collector has to do some extra work to 'earn' the Gift Aid. The envelope must be opened, the contents counted and the amount written both on the envelope and in a donor register. All the envelopes need to be kept for a while – all until after the examination or audit of that year's accounts, but only a sample (perhaps one month's worth per year) for six years.

To reclaim Gift Aid, envelope contents under £10 each can be aggregated on form R68 up to a maximum of £500 without needing to identify individual donors. In the unlikely event of HMRC coming to check, your donor register will show justification.

i **Dividing contributions between different recipients**

If the contribution is intended to be divided between one part of the Meeting and another, e.g. the LM and the AM of which it is a part, both the initial payment and the tax recovery will have to be apportioned in the two cash book columns. You must ensure that the recovered tax follows the donation. The spreadsheets for Quaker treasurers make the bookkeeping for this easy.

While normally only the benefiting charity can recover the tax, HMRC does allow one charity to recover Gift Aid for another provided that the money contributed has been placed in a 'designated fund'. You can achieve this by naming the Gift Aid related balance held in favour of other charities, e.g. BYM, as a 'Contributions Fund'. This 'designates' it – but you must then declare its income and expenditure in the SOFA, which could significantly affect the total income of the AM.

Note that if the donor completes a separate Gift Aid declaration and sends it with the money directly to the charity concerned this avoids the treasurer having to create funds and register claims for beneficiaries outside the AM. (See 'Whose collector am I?' in section 9.4.)

Legacies and tax

A charitable bequest in a will reduces the sum on which the estate will be liable to pay tax so a legacy is another form of tax-effective giving and to be encouraged, see 'Legacies' in section 9.3.

5.13 Petty cash and the 'imprest' system

Never spend any cash received, whether from hirings, collections, or any other source, to meet payments – it can cause enormous confusion and error, as well as creating an inaccurate picture of the Meeting's financial life. Bank all such income as soon as convenient, and preferably at least once a week. Whenever possible, arrange for all payments of any moderate size to be made by cheque or interbank transfer. But for smaller amounts, or where a committee or officer is authorised to pay for things directly, using cash may be necessary or at least more convenient. In this case, the person responsible can have a petty cash box and vouchers, and use the imprest (top-up) system to account for and replenish the cash.*

* Where such payments are infrequent or very irregular, the ordinary expenses reclaiming system will be better. See 10.2, 'Expense claims'

The petty cash 'float' and the imprest system

At the beginning of the imprest system, agree with the person responsible on the amount that is likely to be needed to meet the petty cash spending between that person's visits to the bank. This amount is called the 'float'. Agree also on any analysis headings that will be needed in the petty cash book. Write a cheque for 'Cash' for this amount, and enter it in the main cash book as a payment from the appropriate bank account and as transferred into petty cash. Obtain a receipt for this float and for all subsequent transfers of cash. When the Friend has cashed this cheque*, he or she will keep the money in the cash box, along with a supply of blank vouchers.

* If the petty cash holder does not have a bank account, s/he will need the actual cash at this point and for imprest topping up.

The simplest system. The petty cash holder will spend the cash and put the receipts back in the cash box, so that the sum of the cash and the receipts always adds up to the value of the float. If there are not too many transactions then you, as treasurer, can simply collect the receipts regularly and enter them into the main cash book analysed under the agreed headings. Then write a cheque for the total of these receipts for the petty cash holder to cash at the bank or post office, so as to replenish the cash box.

Petty cash with a separate cash book . Where there are more transactions, or where the petty cash holder has more time available than the treasurer, you can use a separate cash book for the petty cash. The petty cash holder will record all the purchases in this cash book, and analyse them under the agreed expenditure headings. When the cash box has to be topped up (and whenever accounts are to be produced), they will add up the new entries in the petty cash book and give the treasurer a copy of these totals analysed under the agreed headings. The petty cash holder will file the receipts for the end of year examination of the petty cash book. The treasurer will enter the analysed totals supplied in a single row in the main cash book, and write another cheque for 'Cash' for the total amount need to restore the petty cash float to the original value.

Petty cash with a debit card. For a busy city centre meeting house the warden may need a better system than described above. This can be achieved in a very similar way, but instead of just a cash box the imprest system applies to a bank account together with a cash box. The warden has a separate bank account into which the treasurer transfers the initial float. The warden makes purchases from this account by cheque and by debit card, including using the telephone or the internet. As described above, the warden may use a separate cash book and supply just the totals to the treasurer, or they may hand over the receipts so that the treasurer can enter all the details in the main cash book. There is less need for actual cash in this system, but if necessary the warden can draw cash and keep it in a cash box. The sum of

the cash in the box, the bank balance (adjusted for uncleared cheques and deposits), and the receipts will as before always equal the value of the float.

i **Errors in the petty cash book**

If an error occurs in handling or recording the petty cash, it will become clear that the total of the cash and the vouchers/receipts in the petty cash box does not equal what the float should be. If you and the petty cash holder cannot resolve this difference (re-counting the money, checking the arithmetic) then it should be entered on the next schedule as cash 'short' or 'over'. Then make sure that the top-up cheque brings the float to the correct amount – but if this happens often, talk to the petty cash holder and make sure that he or she does know how to keep the record accurately. You may also need to check that it is being kept honestly.

Using cash received – the rare exceptions

Some Meetings may find strong justification for having more cash available than the normal petty cash float. For example, the warden needs to make frequent purchases, and the bank for depositing the lettings money is far away, so the Meeting allows him or her to use this cash.

This method is not recommended at all but if it is done, ensure these safeguards:

- duplicate (carbon copy) receipts for all cash received
- a supply of analysed cash sheets
- all entries to be gross (that is, do not use yesterday's hiring cash for today's stationery purchase, entering only what is left over, but enter both transactions separately, the first in receipts and the second in payments)
- vouchers (till receipts, duplicate receipt signed by recipient, etc) for all payments
- completed cash sheets, and surplus cash, to be given to the treasurer regularly (preferably monthly)
- main cash book to have a separate 'Cash totals' column for both Receipts and Payments, with all items analysed
- the procedure to be checked regularly
- events organized on a one-off basis (eg, residential weekend) to have properly kept records on cash sheets

The treasurer should then be able to enter these records in the main cash book in connection with the next cash transaction involving the bank (receipt paid in or imprest cheque out).

5.14 Handling salaries

When the Meeting has a warden or other employee who is paid a salary, the treasurer must ensure that:

- a complete record of pay is maintained
- the correct amount is paid by cheque or BACS monthly or weekly as agreed, and a detailed pay slip is issued to the employee
- the statutory requirements for sick pay, maternity pay, tax, national insurance, etc, are observed in so far as they apply (see section 14.7, Employment)

Nearly all forms of remuneration are *potentially* liable to income tax and/or national insurance, but it is only necessary to operate Pay As You Earn tax (PAYE) when pay exceeds certain thresholds.* Handling PAYE means some extra work for the treasurer. If there isn't a system for it already, contact HMRC's 'New employers helpline' on 0845 6070143 to ask for advice and obtain a *New Employer Pack*. This contains all the information needed for calculating, recording, reporting and paying tax, national insurance and statutory sick pay. It includes forms for employee records, deduction working sheets, and payments to the HMRC.

* HMRC has agreed special arrangements for 'local religious centres' (including Meetings) which have employees paid below the thresholds, see 'PAYE23030 - Employer records: employer types: local religious centres (LRCS)' on the HMRC web site. Your local tax office will gladly help, without charge.

Note that the responsibility for the payment of salaries, tax and national insurance lies with the trustees, even though treasurers will in practice deal with the details. Where various local meetings each have such matters to handle, it may be simplest for one treasurer to do all – though the possibility of having the work done by a payroll agency is well worth considering. The cost may not be great and the degree of professionalism will reassure all involved.

PAYE details

The Meeting has a legal responsibility to withhold income tax and national insurance contributions from the employee's salary and the Meeting can be held liable for failure to do so. The treasurer must pay the amounts deducted, plus the employer's own national insurance contribution, to HMRC by the nineteenth day of the following month and there are financial penalties for late payment. However, if the amount due monthly is relatively small then you can pay HMRC every three months; check with them to ascertain the current threshold. This might apply to most Meetings.

When the cheques are written, enter in the 'salaries' column both the salary payment to the employee and the subsequent payments to HMRC for the tax and, separately, the national insurance deductions. The employer's national insurance contribution, which has to be separately reported in the accounts, should be separately tracked in the cash book.

Paying honoraria

HMRC are very strict about the payment of honoraria. Their basic argument is that if people do some work and are then given money, it is payment for work done and is taxable. In other words, they do not recognize free gifts. The prime responsibility lies with the person receiving the honorarium to declare it to HMRC. But the Meeting should also declare the figures, and the treasurer is therefore responsible for the following:

- *if the person is employed (whether this is their only employment or they also work elsewhere), there should be a PAYE system for that person covering the payments made*
- *if the person is self-employed or retired, a declaration of the payment(s), needs to be made to HMRC, and you should consult them*
- *if the work is one-off or occasional, HMRC may treat it the same way as casual labour, i.e., with the Meeting accountable for the tax, and you should check with them*

The same principle applies to payments made to people known to be on some sort of benefit. They are responsible for declaring this income to the appropriate office, but the Meeting might be considered to have some sort of complicity if that office finds out that it hasn't been done.

5.15 Handling investments

This section deals with the practicalities of handling investments and their income. See Chapter 12 for general information and guidance about investments, including ethical investment, and also 'Investments in the Balance Sheet' in section 6.8.

If the Meeting owns or acquires investments keep a separate record or 'register' of these assets*. This should give details of the fund to which each one belongs and for which its income is used. Examples of such funds as they are shown in the cash book are included in the examples in Appendix 1. Within each fund, further grouping according to the type of investment, for example, government stocks, company shares, unit trusts, etc, may make analysis easier for the Annual Accounts.

* The share certificates will often be held by Friends Trusts Ltd as custodian trustee for the Meeting, which is the beneficial owner.

Keep a file of all documents and correspondence relating to investment transactions. Include evidence of ownership, such as share certificates, contract notes or other proofs of purchase and sale. Store this file along with or as part of the investments register and take good care that

all are in a safe place. Evidence of ownership will be needed when an investment is sold as well as for the examination of the Annual Accounts.

Dividends on shares are normally entered in a Meeting's books after they have been received (that is, they are not accrued). The key principle is to be consistent, so that in each year there will normally be one interim and one final dividend.

i **Handling investment income**

*When **interest** is received net of tax, the advice with it should include a tax deduction certificate that you can use to reclaim the tax from HMRC.* Whether cheques or BACS credit transfers, enter these receipts in the usual way in the Total column and analyse them to an Investments column. In the case of **dividends**, the 'tax credit' shown on the voucher will always have been deducted and no refund can be obtained from HMRC.*

* Much better: ensure that interest is paid gross. Banks and building societies have forms you can fill in to do this.

i **The investment register**

An example is shown in Appendix 1. In addition to the details of the investment itself, there is a record of its market value at the end of each year. This information is required for the annual accounts, in order to show the value of assets in the balance sheet and also the gains and losses during the year on the SOFA. There may also be a note of the income from the investment during each year, to help check whether all the interest and dividends that were due have actually been received.

The purchase and sale of investments are neither income nor expenditure but are simply an internal transfer of resources between the bank account(s) and the investments. They are recorded in the 'Transfers within the LM' columns in the cash book, like transfers to and from a deposit account.

5.16 Preventing fraud, error and confusion

Almost all financial records in our Meetings are kept by Friends and basically we trust each other. Sadly however, misappropriation of funds is possible even among Quakers. We need to guard against it by proper bookkeeping and accounting methods. More commonly, we risk error and confusion if we do not follow sound procedures, as in the day-to-day controls listed below in Table 5g. Even small Meetings should consider how closely they can apply that advice. See also 'A Vulnerable Victim' by John Welton (Quaker Stewardship Committee, 2006-2007).

Table 5g Preventing financial fraud, error and confusion

Cash handling

Acknowledge all amounts received with an official carbon copy receipt.
Keep all received money secure (separate from the petty cash) until it is banked.
Make sure that only named people handle money or cheques; obtain receipts for cash paid out.

Authorising payments

The person who placed the order should not be the one to approve the payment.
Check that the invoice is supported by an order, or a minute, or the budget. Check whether you normally pay on an invoice or a statement.
Check invoices, or their equivalent, against the original (or previous) order, to ensure accuracy.
Check that the goods actually have been received, or, if appropriate, that the work has been finished.
Endorse the invoice to indicate that the checks have been done.

Cheque payments

The cheque book holder should write cheques only for invoices that are endorsed as above.
Attach full supporting documentation for the signatories to examine.
The signatories should ensure that the invoice and the cheque tally, and endorse the former.
Whenever possible, different people should be responsible for (a) authorising payments (b) drawing and dispatching cheques and (c) signing cheques. Although (b) & (c) – or even all three functions – are often combined this is not ideal.
The finance committee, the trustees or the Meeting should establish written procedures for authorising bank transfers, direct debits and standing orders.
Obtain a receipt whenever possible.

Payment signatories

Establish a limit below which cheques can be signed by one authorised person, and above which cheques will require two signatures.
Authorised signatories should not sign cheques payable to themselves. Get one of the other signatories to sign it for you.

Petty cash

Use numbered petty cash vouchers with till receipts, etc, attached, or number all such receipts and similar documentation.
Question all purchases without such documentation, and make a written record.
Always use an imprest system to advance petty cash (that is, top up the cash by the value of the vouchers provided).
Never top up the petty cash float with cash from other sources (collection boxes, jumble sale, vegetable stall....).
Do not allow any personal borrowing from the petty cash.

Security

Lock all cash and cheques in a safe place; keep the keys safe.
Keep a record of furniture, equipment, and other possessions, and check it periodically (either the police or your insurers may need to see it some day)

Follow the guidance in the *Handbook* as closely as you can. Make up the cash book weekly if possible; reconcile all bank accounts monthly (unless yours is a very small Meeting, when quarterly may do); keep formal accounting payroll details if you have wardens or other staff. Enjoy that lovely feeling of everything being ordered, secure, and clear, so that neither you nor your Meeting need be confused or anxious.

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6 Annual Report and Accounts

6.1 The purpose of Annual Accounts

The purpose of an Annual Report and Accounts is to discharge the charity trustees' duty of public accountability and stewardship. They should:

- provide timely and regular information on the charity and its funds;
- enable the reader to gain an understanding of the charity's activities and achievements; and
- enable the reader to gain a full and proper appreciation of the charity's financial transactions during the year and of the position of its funds at the year-end.

The main obligation of trustees in the preparation of accounts is to give a *true and fair view** of the charity's financial activities during the year, and of its financial position at the end of the year. They may wish to include more information than recommended below. However, particulars of any *material* departure from the SORP, the reasons for it, and the estimated financial effect on the accounts of such departure, should all be given in the Annual Report and the Notes to the Accounts. As the SORP says, "A departure is not justified simply for the purpose of presenting to the reader a more appealing picture of the financial position or results of the charity."

* Strictly speaking the phrase *true and fair* applies only to accruals accounts and not to receipts and payments accounts.

The standardization of methods will enable readers of all sorts more easily to obtain and understand the information which accounts present. 'Essentially the accounts should include all the money and other assets entrusted to the charity for whatever purpose, and show how they have been expended during the year and how the unexpended balance of each fund is deployed at the end of the accounting period.' (SORP, para 11)

Where summarized accounts of any kind are prepared, trustees are reminded that these accounts should always be a fair and accurate summary of the full accounts.

This chapter lays out the present position regarding charity accounts including the treatment of Restricted Funds, Transfers between Funds, and Accruals. It then describes how to close the books, to prepare the accounts and to do the collation. Arranging the audit or independent examination is dealt with in chapter 7.

Fundamental accounting concepts

The accounts must be accompanied by an explanation of the basis on which they have been prepared. The accounting policies adopted must be appropriate to the charity and must be consistent with the four fundamental accounting concepts, as follows:

- a) The 'going concern' concept – the charity will continue in operational existence for the foreseeable future;
- b) the 'accruals' concept – see section 5.5 for an explanation – ensures that incoming resources and the expenditure of resources are recorded in the SOFA of the period to which they relate;
- c) the 'consistency' concept – the accounting policies should be consistently applied throughout the period and from one period to the next;
- d) the concept of 'prudence' – incoming resources are recognized by inclusion in the SOFA only when realized in the form either of cash or of other assets (the ultimate cash realisation of which can be assessed with reasonable certainty).

i **The issue of materiality**

'Materiality will also be a consideration when preparing the accounts. Adjustments for small value items are often not necessary, as they are not material to the overall understanding of the accounts. For example, amounts under £1 are never important and can be ignored. Some items may or may not require adjustment depending on the size of the charity (based on gross income or balance sheet totals). For example an asset costing £500 not included in the accounts may be material to a charity with £10,000 gross income but not one with £250,000 gross income.'

Charity structure

Section 3.2 explained how the Area Meeting is the legal and administrative unit that needs to produce collated accounts, with constituent meetings as branches. These include figures for funds administered by the AM centrally (here called the 'AM central accounts') and those of all the LMs (the 'constituent Meetings'). The SOFA and Balance Sheet will contain only summaries of totals of each kind of fund, Unrestricted, Restricted and Endowment. LM restricted and endowment funds will fit in the second and third categories while other assets and financial activities of the LM will be included as a designated fund under the Unrestricted heading*, any required detail being given in a Note. While each LM's Unrestricted Funds appear in the AM collated accounts as a single Designated Fund, the accounts presented to the LM may divide it into General and locally Designated Funds. Any Restricted and Endowment Funds administered by the LM will also be locally reported.

* Although AM does not usually direct how LM money should be used the former practice of calling it all 'Restricted' is incorrect and should be discontinued.

6.2 What the 'Charity Accounting Framework' is

The Charity Accounting Framework comprises: sections of the Charities Acts; the relevant Regulations; the Charity Commission *Statement of Recommended Accounting Practice* (usually called SORP – the current issue is 2005); Accounting, Financial Reporting, and Auditing Standards adopted by relevant professional bodies; and the Charity Commission's guidance and direction in many publications, including one for Independent Examiners. Many of its sections apply to our Area Meetings and therefore affect also their constituent local meetings.

The SORP specifies the form and content of the Annual Report and Accounts of charities that keep accruals accounts and the methods and principles to be followed in their preparation. Unless such charities can present good reasons why they should not conform to SORP, they are *expected to follow its recommendations*, which are consistent with accounting and reporting standards, albeit less demanding of 'smaller charities' – see '*Charities not subject to audit have less prescribed for their R&A*' below. It is, in effect, an 'operating manual'. Accounts that depart from these standards without adequate justification or explanation may be held by a court not to be true and fair.

The requirements depend on the income level of the charity, i.e. the gross income of *the Area Meeting and all the constituent Meetings* added together: see table 6a. Whatever their income level, all AMs' accounts must conform to fundamental accounting concepts and relevant accounting and reporting standards – so these should also be understood by local Meeting treasurers, insofar as their accounts will feed into the AM's collated accounts.

Responsibility for preparing the collated Annual Report and Accounts (R&A) rests with the trustees. The treasurer will normally prepare the accounts and financial parts of the report. Much of the report, however, should be prepared by the trustees themselves. Each trustee should receive a draft of the R&A well before the meeting at which they are to be approved. The R&A are then approved by the trustees as a body and each should be signed and dated on behalf of all by one of them who has been authorised to do so. In Scotland, the signature on the accounts must appear on the balance sheet (or on the statement of balances).

A registered charity must then submit its R&A to the relevant body. In England and Wales this will be the Charity Commission, within ten months of the end of the year. In Scotland, OSCR

requires the R&A within nine months of the end of the year; this timing applies to many Meetings in Scotland. It is good discipline even for unregistered meetings to complete its R&A in good time; the governing documents generally incorporate a time limit of eight months.

Charities not subject to audit have less prescribed for their R&A

Appendix 5 of the SORP describes how regulations are less stringently applied to 'smaller' unincorporated charities – those not subject to statutory audit. They have more choice in their financial statements. They may report on an accruals basis, guided by the SORP, or using receipts and payments accounts (see section 5.5, The bases of accounting). Whichever mode they choose, non-company charities with a gross income of £250,000 or less may categorise within it either on the basis of activities or using a 'natural' classification. The former gives readers a better idea of the purposes for which money was spent including some analysis of support costs; the latter simply lists such items as stationery, wages, etc.

These smaller charities need not report as fully (see table 6e). Friends preparing collated Reports and Accounts for meetings that need only independent examination would be well advised to read Appendix 5 of the SORP and decide to what extent they wish to avail themselves of the concessions offered. A useful summary of requirements appears in CC15b¹ 'Charity Reporting and Accounting: The essentials'. The Charity Commission offers packs as guides for Receipts and Payments accounts (CC16), Accruals with activity classification (CC17) and Accruals with natural classification (CC39).

The LM R&A needs to feed into the AM collated R&A

The AM treasurer will need information from each LM. The form in which this is required should be set out very early in the financial year so that the LM treasurers know what minimal headings they need to use in their bookkeeping throughout the year (see Section 6.6). While the summary for AM may be succinct, it is almost certain to lack the detail that the LM would like to see about its activities and sources of funding – for which notes in the LM's own local accounts will be useful (see section 6.12, 'Alternative presentations of the Accounts').

Similarly, the LM report can contribute to the narrative of the AM report as many events in the LMs are important as a part of the AM activities. For the fuller information of the AM report as well as for local Friends, there should be a note of the LM's bankers and solicitors, etc. However, the LM report will not need to include such statutory statements as those about the appointment of trustees.

If the Area Meeting collation is going to be professionally examined or audited, then the AM treasurer will need to talk to the accountant involved and agree the Collation Proforma before collecting the data from the Local Meetings. It will be disconcerting to finish the collation and then find out that the examiner or auditor disagrees with your approach and wants it done differently.

¹ or, for financial years ending before 1 April 2009, CC15a

Table 6a Summary of accounting thresholds, etc. (E&W)

for unincorporated charities in England and Wales according to the Charities Act 2011 for financial years ending after 31 March 2009. See also Charity Commission publication CC15b or, for earlier years, CC15 and CC15a. Other criteria apply for companies.

For charities in Scotland, see table 6b.

Formerly excepted charities – unregistered after 30 September 2007 – will be required to register from 2008 starting with those with annual incomes in excess of £100,000.

Income below £5,000 and no permanent endowment or occupation of land
No requirement to register with Charity Commission

Incoming resources* not exceeding **£250,000**

Accruals accounts are not required: option to prepare receipts and payments accounts (which are not subject to SORP) plus statement of assets and liabilities.

Incoming resources* in excess of **£250,000**

Accruals accounts required in conformity with SORP, i.e. including SOFA, balance sheet, notes.

Gross income of **£25,000** or more: Trustees of registered charities must produce an Annual Report to be sent, with the accounts, to the Charity Commission. Reduced requirements apply for charities not subject to audit. Excepted charities are not required by law to produce a report but it is good practice to do so.

Gross income greater than **£25,000** but not exceeding £500,000 in the year in question: Independent examination permitted instead of professional audit. Where gross income exceeds £250,000, an independent examiner of accounts must be professionally qualified as defined by the 1993 Act.

Gross income exceeding **£500,000** or, **£250,000** if gross assets exceed **£3.26 million**: Professional audit required and accounts must specifically disclose any departures from SORP.

To charities not subject to audit SORP 2005 allows

- a) freedom to choose resource classifications (incoming or expended) to suit own circumstances, and releases from certain note disclosure requirements in consequence; and
- b) abbreviated trustees' Annual Report (see Table 6e and SORP Appendix 5).

A cash flow statement is required only above the high thresholds of FRS 1: see SORP.

Incorporated charities (i.e. companies limited by guarantee or the proposed Charitable Incorporated Organisations) must produce accruals accounts and are subject to **the same thresholds as above** with respect to audit.

*For the purpose of determining this threshold exclude from the 'Incoming resources' of the charity:

additions to its endowment such as the receipt of a legacy that is put aside as endowment or the proceeds of an appeal or grant insofar as it is used for a new building project (to build, extend or enhance a building used to further the meeting's mission);
the proceeds, including profit, of the sale of investments or fixed assets;
receipts from insurance claims for loss or damage to fixed assets (regarded as a 'forced sale').

The receipt of these items must still be included in the financial statements of the charity.

Table 6b Summary of accounting thresholds, etc. (Scotland)
for unincorporated charities in Scotland. *Other criteria apply for companies.*

All charities are required to register with the Office of the Scottish Charity Regulator (OSCR).

Incoming resources not exceeding £100,000*

Accruals accounts are not required: option to prepare receipts and payments accounts plus statement of balances (not required to be SORP-compliant). Independent examination by someone with the requisite skills (experience of accounts to the same level and degree of complexity) suffices for receipts and payments accounts.

Incoming resources* in excess of £100,000*

Accruals accounts required with an Income and Expenditure account and a full balance sheet.

Gross income or total expenditure greater than £100,000* but not exceeding £500,000

Independent examination permitted instead of professional audit. An independent examiner of accounts must be a member of the Chartered Institute of Public Finance and Accountancy, a Fellow of the Association of Charity Independent Examiners, or able to act as a reporting accountant under the Companies Act.

Gross income or total expenditure exceeding the above limit or if gross assets exceed £2.8 million[#] and fully accrued accounts have been prepared

Professional audit required

* £250,000 for financial years commencing on or after 1 April 2011

[#] £3.26 million for financial years commencing on or after 1 April 2011

6.3 The charity accounting framework applied

To facilitate compliance with the law, as well as to ease the keeping of accounts in accordance with Quaker openness and honesty, Area Meetings have generally adopted governing documents setting out their objects and how they will achieve them. The relationships between the AM and each constituent LM are often known, more or less, to several Friends but it is a good idea to write them down in a Memorandum of Understanding so that financial aspects, as well as those relating to eldership, oversight, outreach and, especially, the trustees, are clear and can be passed on to new Friends. The appointment of particular Friends as trustees enables the responsibility to be focused on that body rather than diffused over the whole membership.

SORP 2005 requires annual accounts to be presented in a prescribed format, along with a Trustees' Report, though smaller charities are allowed considerable flexibility in how they do this – see Appendix 5 of the SORP. The objective is to give financial details of all the activities of the charity, how they are funded, and the levels of those funds at the start and end of the year. The Annual Report and Accounts therefore consist of at least four elements:

- Statement of Financial Activities (SOFA). This has the format shown in table 6c and is dealt with in section 6.4 below. It is similar in effect to an Income & Expenditure Account and gives only the baldest summary of any of the items included.
- Balance Sheet, showing the assets and liabilities of the charity, has the basic format shown in Table 6d and is dealt with in section 6.5 below.
- Notes to the Accounts – explanatory notes about accounting policies, the SOFA and the Balance Sheet. In this chapter the notes will lead to some expansion of what is meant by or may be included in these.
- Trustees' Report, giving some required information about the charity and describing the year's activities – including financial aspects – in words

The four elements are together subject to audit or independent examination and the Trustees as a body are responsible for the production and content of the Annual Report and Accounts. They need to note the sort of Accounts required, decide how they will arrange for audit or independent examination, how the Annual Report will be produced and how much detail it should include. It is then the AM treasurer who will be expected to know which of the AM funds fall into each category of Unrestricted, Restricted and Endowment, and to keep in touch with the LMs, collector, overseers, etc. to co-ordinate the wider finances of the AM as a whole. It is also usually the AM treasurer who maintains a register of the AM assets, including acquisitions, disposals, depreciation and what they are used for.

Registered charities in England & Wales must send their accounts to the Charity Commission within ten months of the end of their financial year. In Scotland, **OSCR** expects them within nine months.

The guidance given in this handbook is intended to satisfy the Accounting Regulations and SORP. In some cases the standard may be higher than the minimum required, for the sake of consistency between Meetings. In particular it assumes that all Area Meetings in the Society will produce their accounts on the 'accruals basis' outlined in section 5.5 rather than the 'receipts and payments basis' that is permissible for smaller charities.

6.4 The Statement of Financial Activities (SOFA)

As explained in section 5.8 and Appendix 1, the treasurer needs to keep records during the year that will easily feed into the required accounts at the end of it. It is therefore important to consider not only the main headings of the SOFA in table 6c but also the further explanations that you will wish to offer in the notes to the accounts. The SOFA itself, though legally required as a brief summary of the financial transactions of the year, tells too little about where money came from or for what it was used. To fill this out, the treasurer keeps track of as many details as the meeting is likely to find interesting or relevant within each heading and has regard to what the SORP advises. The notes then present the additional data in a way that can easily be related to the overall picture. In the case of Table 6c itself, the notes we include below are used to expand or explain some of the headings.

Note 1 'Voluntary income' is just what it sounds like: contributions, collections, grants, legacies, gifts in kind and donated services and facilities. The last three of these merit some explanation. *Legacy income* is not to be recorded until it is certain both that it will be received in the near future and how much money it is. *Gifts in kind* would be fixed assets, e.g. stocks and shares or property, to be added to the relevant section of the balance sheet. *Donated services and facilities* would include donated facilities (e.g. free printing), beneficial loan arrangements or the donated services of a professional person who would normally charge a fee. The donated value should also feature in the appropriate expenditure category. This way the Meeting and the world gets a true picture of the costs of the charity. SORP para 134 continues: 'In contrast, the contribution of volunteers should be excluded from the Statement of Financial Activities as the value of their contribution to the charity cannot be reasonably quantified in financial terms. Commercial discounts should not be recognized as incoming resource except where they clearly represent a donation.'

Table 6c SOFA format as provided by the SORP

after Table 3 of SORP 2005

Statement of Financial Activities

Year ending

	see note	Unrestricted funds	Restricted funds	Endowment funds	Total funds	Prior Year Total Funds
INCOMING RESOURCES						
Incoming generated resources*						
Voluntary income	1					
Activities for generating resources*	2					
Investment income	3					
Incoming resources from Quaker activities	4					
Other incoming resources	5					
<i>Total incoming resources</i>						
RESOURCES EXPENDED						
Costs of generating resources*						
Costs of generating voluntary income	6					
Costs of generating resources*	7					
Investment management costs	8					
Quaker activities	9					
Governance costs	10					
Other resources expended	11					
<i>Total resources expended</i>						
<i>Net incoming/outgoing resources before transfers</i>	12					
Transfers						
Gross transfers between funds	13					
<i>Net incoming resources before other recognised gains & losses</i>	14					
Other recognised gains/losses						
Gains on revaluation of fixed assets for charity's own use	15					
Gains/losses on investment assets	16					
Actuarial gains/losses on defined benefit pension schemes	17					
<i>Net movement in funds</i>	18					
Reconciliation of Funds						
Total funds brought forward	19					
<i>Total funds carried forward</i>	20					

* Where we have 'resources' here, the SORP uses the word 'funds' – but strictly speaking that means something else.

Note 2 SORP para 137 defines activities for generating income as ‘the trading and other fundraising activities carried out by a charity *primarily to generate incoming resources* which will be used to undertake its charitable activities. The activities included within this category involve an element of exchange, with the charity receiving income in return for providing goods, services or an entry to an event. This category will include: (a) fundraising events such as jumble sales, firework displays and concerts (which are legally considered to be trading activities); (b) those sponsorships and social lotteries which cannot be considered as pure donations; (c) shop income from selling donated goods and bought in goods; (d) providing goods and services other than for the benefit of the charity’s beneficiaries and (e) letting and licensing arrangements of property held primarily for functional use by the charity but temporarily surplus to operational requirements.’ The words ‘*primarily to generate incoming resources*’ are important as they exclude from this category **primary purpose trading** and contributions by members towards meeting gatherings that are a part of our spiritual life.

Note 3 Interest, dividends and rents but not hirings or gains in the capital value of investments.

Note 4 This is where we record contributions towards the cost of our activities, e.g. Woodbrooke on the Road, the AM Handbook or Gatherings.

Note 5 Few items would fit here. Gain (i.e. realizing a larger sum than its valuation in the Balance Sheet) on selling a meeting house or other fixed asset held primarily for our charitable purposes is given by the SORP as an example.

Note 6 These costs are likely to consist of just the expenses of collecting contributions: mailing, etc.

Note 7 The cost of generating resources will obviously include buying stock specifically for sale and expenses of correspondence with hirers. Perhaps less obviously, a part of the cost of running the meeting house should be included here as hirers use services, call for the warden’s attention, etc. These **support costs** are discussed in section 5.9.

Note 8 Investment management costs will include the management and maintenance of let property as well as obtaining investment advice and portfolio management.

Note 9 The main section of our expenditure. The note will explain this figure to show the costs of the meeting’s main activities and any grants or donations it has made.

Note 10 The note here will show subtotals of fees & charges, premises (if material), printing and other administration and Friends’ expenses **specifically for the governance function**.

Note 11 Here are any costs you have not been able to fit into other categories. Even the SORP cannot say what these might be but it does emphasize that support costs do **not** belong here.

Note 12 This is a basic measure of the overall surplus or deficit during the year.

Note 13 Transfers being always between funds *of the meeting*, this line should have a total of zero. Note that transfers from restricted to unrestricted funds, if made, need particular explanation. The release of capital funds from an expendable endowment to an income fund would fit in here, too. Transfers between bank accounts, investments, etc. within a fund do not feature.

Note 14 This line has the totals of lines 12 and 13 for each column.

Note 15 When meeting houses or caretaker’s cottages are revalued any gain goes in this line. Once a policy of valuation has begun, such revaluations may be undertaken every five years. If, however, the buildings are simply included at their historic cost the gain will be zero.

Note 16 A valuation of each investment asset is required and the gain or loss calculated by subtracting the value previously recorded. An auditor may call for evidence that assets are still in the ownership of the meeting.

Note 17 This line is unlikely to apply to most meetings.

Note 18 This line has the totals of lines 14 to 18 for each column.

Note 19 Show here the values of the funds recorded at the end of the previous financial year. If you need to make a prior year adjustment (section 6.7) do that in a note first and put in the new figure.

Note 20 This line has the totals of lines 18 and 19 for each column.

6.5 The Balance Sheet

The purpose of the Balance Sheet is to show the assets of the Meeting at a particular date. Careful bookkeeping during the year should enable it to be completed relatively easily. The format required by the SORP is shown in Table 6d and, as with the SOFA, the notes are here used to amplify the descriptions and make clear what is required for each line.

Note 21 'Intangible assets' are such things as 'goodwill' that a meeting is unlikely to possess!

Note 22 'Tangible assets' are things other than heritage assets or investments that have continuing capital value. The rules for including them in the balance sheet are given in detail in the SORP, paragraphs 253 to 278. For meetings the major items here will be functional property, mainly meeting houses. Details of their treatment appear below in sections 6.7 & 6.8*.

* There is a fuller discussion of meeting house valuation in *Treasurers' News 7*, February 2010.

Note 23 'Heritage assets' are items of historical, artistic or scientific importance that are held to advance preservation and conservation objectives of a charity. 'The objective of the charity may be specifically of a preservation or conservation nature, or the heritage assets may be integral to a broader objective such as educating the public in history, the arts or science as in the case of museums and galleries.' (SORP, para 279). The succeeding paragraphs expand on when such assets need not be valued or for which a valuation may be difficult to attribute, e.g. medieval castles, archaeological sites, burial mounds, ruins, monuments and statues. Some meetings may consider that their meeting houses fall in this category – but do they?

Note 24 'Investments' include property, shares, etc. held so that it will yield an income rather than with the intention of spending its value in the near future (in which case it appears under 'Current assets'). Normally these should be shown at a market valuation save that 'Where the cost of obtaining a valuation ... outweighs the benefit to the users of the accounts, or lacks reliability, the investment may be included at cost.' (SORP, para 297). This will only rarely be the case since a reasonable estimate of value by the trustees is admissible for, say, a let house.

Note 25 'Programme related investments (also known as social investments) are made directly in pursuit of the organisation's charitable purposes. Although they can generate some financial return (funding may or may not be provided on commercial terms), the primary motivation for making them is not financial but to further the objects of the funding charity. Such investments could include loans to individual beneficiaries (e.g. for housing deposits) or to other charities (for example, in relation to regeneration projects).' (SORP GL 47)

Note 26 Few meetings will have liabilities and charges or defined pension scheme assets or liabilities, in which case those lines may be omitted. A line labelled 'Net assets' then appears next under 'Creditors: Amount falling due after more than one year'; the amount here must equal the 'Total charity funds' at the bottom of the table.

Note 27 Unless the meeting is a company with shares this line will obviously not be needed.

Note 28 This includes the General Fund and all designated funds.

Note 29 'Charities that are companies are required to report, in respect of their unrestricted funds, the difference between the historic cost of fixed assets (including investment assets) and their revalued amount as a revaluation reserve.' (SORP, para 334) Meetings are not companies.

Note 30 Again, if the meeting is not itself administering a pension scheme, this intermediate stage is not needed: go straight to 'Total unrestricted funds'.

Table 6d Balance Sheet format as provided by the SORP

Balance Sheet

Year ending

	see note	Total funds	Prior Year Total Funds
Fixed Assets			
Intangible assets	21		
Tangible assets	22		
Heritage assets	23		
Investments			
Investments	24		
Programme related investments	25		
Total fixed assets			
Current assets			
Stock and work-in-progress			
Debtors			
Investments	24		
Cash at bank and in hand			
Total current assets			
Liabilities			
Creditors: Amount falling due within one year			
<i>Net current assets or liabilities</i>			
Total assets less current liabilities			
Creditors: Amount falling due after more than one year			
Provision for liabilities and charges	26		
<i>Net assets or liabilities excluding pension asset or liability</i>			
Defined benefit pension scheme asset or liability	26		
<i>Net assets or liabilities including pension asset or liability</i>			
The funds of the charity			
Endowment funds			
Restricted income funds			
Unrestricted income funds			
Share capital	27		
Unrestricted income funds	28		
Revaluation reserve	29		
<i>Unrestricted income funds excluding pension asset/liability</i>	30		
Pension reserve			
Total unrestricted funds			
Total charity funds			

The above balance sheet is minimal; normally one would use the 5 column headings shown in the SOFA, Table 6c, distinguishing unrestricted, restricted and endowment funds within the total in each line.

6.6 Be prepared to collate

Collation means collecting together the financial information from all the constituent Meetings in order to obtain the total figures for the Area Meeting as the single charity unit. Even though in general the AM does not direct how the funds of its constituent meetings are used, the *information* about them must be pooled, presented in the form of a table and aggregated with the funds of the Area Meeting as required by the SORP. The common format established in the SORP makes supervision of accounts easier, quicker and more accurate; complying with it will help Meetings to reach the standards required of them by the Charity Commission. Very importantly, the SORP policy of transparency, consistency and intelligibility is in accordance with Quaker testimonies to truth and integrity.

It is most helpful for local Meetings to follow the same practice as their Area Meeting so that the information for the AM treasurer's collation is consistent. This consistency is usually achieved by the use of a *pro forma* provided early in the year by the AM treasurer or other collator, according to which the local treasurers should track their bookkeeping and on which they enter their year-end figures. An example is given in Appendix 2, comprising Table A2 and the notes on it. While the detailed headings of local accounts may well vary, they should by this means provide sufficient information for the collation to be done according to the SORP and to an agreed timetable. The best way to set up and review the arrangements is for all the treasurers in the AM to meet once or twice a year.

The process of collation is discussed in section 6.13 below and Appendix 2.

6.7 Entering up the SOFA

For the treasurer who has used a bookkeeping system with headings that are geared to the requirements of the SORP, production of the final accounts should be quite straightforward.

At the end of the year plenty of room must be left in the old year's cash books to add final items. It is important to have ready a complete set of new books, pages or ruled-off sections to start the new year – to mix entries of different years would cause confusion.

Consult the notes on tables 6c and 6d in sections 6.4 and 6.5 to check what you are aiming at.

Resources: incoming and expended

For this major part of the SOFA, first check each category of income or expenditure (as defined by your column headings) to ensure that nothing is missing that should be there. For example, there may be a deposit account that has yet to have interest added to 31 December or a hirer to whom no invoice has yet been sent or – on the expenditure side – an amount owing for work done on the meeting house for which no bill has been received. It may take a few days to sort such things out. The interest will be notified and you will be able to enter it in the investment income column of the main cash book. When the invoice for the outstanding hiring has been sent out you can enter the value in the hirings income column just as if it had been received, but then show that it wasn't received before the year end by including the same value in the list of debtors. Similarly you can record the quoted amount for the work done on the meeting house as expenditure, just as if you had paid it, but show that you didn't pay it before the year end by adding the same amount to the list of creditors.

i Dealing with accruals (including debtors, creditors and prepayments)

When considering the need for accruals, bear the following in mind:

- the most common debtors are tenants or hirers of the meeting house, usually identified by listing the details of all unpaid invoices
- another debtor may be tax reclaimed from HMRC but not yet received
- insurance premiums are usually paid in advance. They are prepayments, not debtors, but the two are usually grouped together as 'Debtors & P/P'. However as they vary little from year to year one may simply not accrue them, as with gas bills, etc. below.
- income from investments is usually received in arrears but is unpredictable (except from fixed interest investments) and therefore best accounted for only when it is received and not accrued
- creditors and accruals will typically arise from: goods and services supplied to the Meeting and for which payment is outstanding; travel and other expenses incurred but not yet reimbursed; loans to be repaid.
- services such as gas, electricity and telephone are usually paid in arrears. It is best not to treat these as creditors but to account for them only when invoices are received (provided that the treatment is consistent so that there are not three bills charged in one year and five in the next)
- amounts received 'As Agent' and not passed on must at the year end be recorded as 'not yet passed on' in the 'As Agent' note but not included in the balance sheet as a creditor.

As well as ensuring that creditors and debtors at the year end are included in the schedules (a possible format is given in Table A1c of Appendix 1), take care that those already discharged have been removed from them. These schedules will be used for the Balance Sheet.

Any depreciation of tangible assets needs to be calculated and added to support costs at the year end. If the meeting takes account of the continuing value of furniture and equipment, depreciating it over, say, 5 years, then on purchase it is added to the asset register and at the end of each year 20% of the cost is taken out, called 'depreciation' and classified as expenditure. As this can be cumbersome, a policy may be adopted whereby furniture and equipment are depreciated by 100% in the year of purchase – in which case the whole price is simply written in the cash book as expenditure in the first place.

i Functional property may need to be depreciated

Where land and buildings are concerned, neither freehold land nor investment property has to be depreciated but functional property may be. A meeting house or caretaker's cottage should be recorded in the Report and Accounts in the balance sheet; the assigned value may be the original cost (or value on acquisition) or valuation on an insurance or other basis. Where the valuation bears a realistic relationship to current prices or values an auditor may consider it necessary to write it down by 2% each year even when the building is perfectly maintained and the value is actually rising. Because of the range of possibilities, meetings may do well either to continue whatever policy they currently employ or to consult their independent examiner or auditor.

When satisfied that each column is complete, the usual end-of-month procedures apply: totaling each column and cross-casting to check the arithmetic; reconciling (section 5.10) with the bank statement to 31 December and listing the uncleared cheques or recently banked receipts that make the adjusted bank balance equal to the final cash book balance. This reconciliation paper will be needed, along with the bank statements, for the examination of the accounts.

The next step is to make a total for each column from all the subtotals under it for the twelve months. These totals are needed (a) in the Notes to the accounts* and (b) to be added together first in the groupings

* In practice, the Notes are compiled first, with details for each fund under each of the headings of Unrestricted and Restricted, which are then added to give the SOFA figure. If the detail in any column is not going to be needed in the notes, why was it separated off in the first place?

corresponding to the lines of the SORP and then to make grand totals of the income and the expenditure. From these, the '*Net incoming/outgoing resources before transfers*' (=surplus or deficit) can be calculated.

Transfers

Transfers are movements of money within the AM that don't increase or decrease our total resources. They might be between one bank account and another or between one fund and another. They could be between a LM and the AM general fund or they could be between one LM and another LM in the same AM.

Revaluation of assets, gains and losses

For these lines in the SOFA see notes 15 and 16 in section 6.4. The use to which a building is put is key to its treatment. If the pair of cottages acquired by the meeting in 1898 has the caretaker living in Fox Cottage that may be in the accounts at an unvarying £110 if that is what it cost, while Fell Cottage, which is let, is investment property, must have its value reviewed annually, and might be in the balance sheet at £110,000*. For shares, etc. note the values at the end of business on the last working day of the year and calculate the change in value over the year to enter in the SOFA.

* Property valuation is the subject of an article in *Treasurers' News* 7.

Adjusting the balance brought forward: prior year adjustment

The prior year adjustment is a change in a figure from the previous year or years due either to an error (a supposed debtor may turn out not to have owed money after all) or a change in accounting policy to bring reporting in line with current accounting standards (e.g. heritage assets being brought into the balance sheet in BYM R&A 2006, notes 8 and 9). Make the adjustment in the notes to the accounts; then use the revised figure in the main table.

Notes

The notes to which the SOFA refers will give the details of interest to the reader that you were careful to record during the year. The 'Unrestricted Funds' can be separately shown. The subdivisions of the crude SOFA categories can be given. In addition, the SORP requires particular information detailed in section 6.10 below.

6.8 Entering up the Balance Sheet

The purpose of the Balance Sheet is to show the assets of the Meeting at a particular date, which should be clearly shown. The assets of the Meeting are shown at the top and the details of the funds that own them are listed below.

Each treasurer will need to decide what items to include in the light of the finances of that particular Meeting, with guidance from the collating treasurer and help from the SORP format (Table 6d) the notes to it. The SORP itself is generally clearly written and can be referred to if in doubt. Last but by no means least, if you have a professionally qualified examiner or auditor s/he can advise you.

Investments in the Balance Sheet

Current accounting standards require investments to be shown in the Balance Sheet at the market value as at the end of the financial year, not at the original cost. This means that, as stock market valuations change, there will be unrealized gains or losses from the valuation of the previous financial year. These should be entered on the Investments Record (an example is shown in Table A1e, Appendix 1) and shown separately on the SOFA. The Notes to the Accounts may include a detailed analysis of the investment portfolio, reconciling the market values with the original cost values but in practice this is seldom actually done.

Making sure SOFA and Balance Sheet agree

When all the figures have been copied from the cash book (or working schedule if one is used) and all the 'boxes' in the Accounts filled in, check that the 'Total funds carried forward' on the SOFA and the 'Total charity funds' on the Balance Sheet are identical. This must be so because the *total details* of how the funds are held must of course be the same as the *total amount* of funds that are held.

If they don't agree

You will have to search for, find and correct the error(s) until it does. Follow the systematic checks below:

- check which of the Fund columns (Unrestricted, Restricted, Endowment, etc) on the SOFA and Balance Sheet is not balancing, and concentrate on that
- check that all the boxes on the SOFA and Balance Sheet have been completed (or are not required this time) and that the figures in them have been copied correctly
- check that all the entries in the accounts working schedule have been entered on the SOFA and Balance Sheet (this is where the ticks and annotations are needed)
- check the arithmetic on the SOFA and Balance Sheet
- check the schedules of debtors and creditors to see whether they have been correctly calculated
- check the figures for investments, and the gains/losses on investments
- check that transfers between Funds have been correctly added or subtracted
- check everything else!
- if the amount involved is immaterial (see '*materiality*' on page 60), add an appropriate line in the accounts to compensate for it (but we hope it never gets this bad)

6.9 About rounding-off the figures

All the entries and calculations on the accounts working schedule, if you have used one, or the steps of preparing the accounts, are best done complete with pence unless you are quite experienced. So should the first drafts of the SOFA and Balance Sheet. Then, when *everything* is finished and correct, the rounding-off can be done; briefly, this is the process of eliminating the pence by:

- entering only the pounds figure if the pence are below 50p
- entering the pounds figure plus one (rounding-up) if the pence are over 50p
- Thus £14.34 would become £14, and £57.52 becomes £58.

If you have been using a computer, it will do this for you if you simply specify that the numbers be displayed with 0 decimal places. The detail is not lost – merely not shown.

While all the arithmetic may be correct, rounded results can look strange. For example, adding £1.52 to £1.52 makes £3.04, but in rounded figures this will look like $2 + 2 = 3$. Some accountants add at the foot of the page: 'Figures may appear not to sum because of rounding.'

6.10 The notes to the Accounts

Accruals accounts should include explanatory notes to expand on the information shown in the accounts and to give explanations that cannot normally be included in the SOFA or the Balance Sheet*. Once you are satisfied with the SOFA and Balance Sheet, finish any Notes to the Accounts which still need attention.

The following are necessary (paragraph references are to the SORP):

- the accounting policies in use – usually historic cost apart from the revaluation of assets – the assumptions which have been made, and any changes in these

* A summarized Report and Accounts can be provided for the Meeting, provided that the full legal version exists and is available. See section 6.12.

- the nature and purpose of all significant Funds, with explanations of large Unrestricted or Designated Fund balances (small balances on Restricted Funds do not need to be individually described unless there have been large transfers between Funds)
- analysis of any material transfers between Funds
- details of incoming capital resources distinguished between permanent and expendable endowments (see section 3.5)
- details of any trustee remuneration, expense payments or other benefit, or a trustee's material interest in any of the transactions (§§ 230 to 233)
- staff costs, showing salaries, employer's national insurance and pension costs separately (§ 235) ('If there are no employees with emoluments above £60,000 this fact should be stated.' § 238)
- analysis of figures in the Balance Sheet relating to tangible and investment fixed assets, current assets, creditors and other liabilities, and details of fixed asset movements
- auditor's or examiner's fees separately from other professional fees

You will probably also need notes on the following subjects:

- the reinstatement value (normally used for insurance purposes) of the meeting house(s), if the value is not on the Balance Sheet
- the current market values of the investments, grouped into the main investment categories, such as fixed interest stocks, equities, unit trusts, etc
- the purposes for which the Funds of the Meeting may be used ("the advancement of religion") and any formal restrictions that apply to the use of the income or capital of any Fund
- identification of specified assets attributable to any particular Fund, where this is the case
- the interest rate applicable and the terms of repayment where a Meeting has loans outstanding to banks or to other Quaker funds
- a summary of 'Acting as Agent' transactions. This should include the sum (if any) held at the end of the year which has not yet been passed on. The details of the contributions are not required.

See SORP paragraphs 221 to 243 for yet more headings and details.

Make sure that the figures provided in the Notes relate to an appropriate single figure in the SOFA or Balance Sheet or in a previous Note (e.g. if the Note is a breakdown of a total in the SOFA, make sure that the total is also included in the Note). This is also the time to make sure that references to all the Notes by number are in the relevant places and are correct.

From SORP B2: Charitable Activities

Para 191 'Resources expended on charitable activities should be analysed on the face of the Statement of Financial Activities or in a prominent note to the accounts. This analysis should provide an understanding of the nature of the activities undertaken and the resources expended on their provision.' The charitable purpose and main activity of a Quaker Meeting is worship, and everything associated with it. Our expression of our testimonies relates both to worship and to 'public benefit' as defined in the Charities Act 2011, to which reference must be made in Annual Reports for 2009 and later years.

This note about charitable activities may be presented as a table, with totals reconciling with the Statement of Financial Activities and other notes as appropriate, and it should also identify the amount of support costs allocated to such activities.

Notes about donations in kind

If notes about donations of goods or services are not included, the Meeting may have a false optimism about costs. A newsletter which had long been printed free might appear to have cost only £200; if this free service were to end, and £600 for printing be added to the costs, Friends might be startled and puzzled by the huge increase.

6.11 Trustees' narrative Report

'Accounts focus on financial performance and in isolation do not give the reader a perspective of what has been achieved from the activities undertaken and the resources expended in their delivery. The SORP recognises these limitations and places significant weight on the Trustees' Annual Report to provide a necessary link between objectives, strategies, activities and the achievements that flow from them. Without this information the value of the accounts to the reader may be significantly diminished.' (SORP, para 14).

SORP para 15 specifies that the Trustees' Annual Report and Accounts should therefore:

- a) provide information on the charity and its funds;
- b) enable the reader to understand its objectives, structure, activities and achievements;
and
- c) enable the reader to gain a full and proper appreciation of its financial transactions during the year and the position of its funds at the end of the year.

This will apply fully to the AM, but the importance of the LM report for local Friends must not be forgotten. Their treasurer will write it especially for them, including items which they would want shared with the rest of the AM (and drawing the attention of the Final Report writer to them). SORP lists the requirements for the 'charity's Report' (which in most cases means the Area Meeting's Report), in an order that would be useful for official or external inquirers; but the most important readers are the Friends in the Meetings.

The Trustees' Report describes the activities and achievements during the year in support of the charity's, that is the Area Meeting's, religious aims, and explains the financial recording and the consequences of major events, such as appeals, building projects, changes in wardening, residential weekends, etc. It is a valuable way to help the Meeting feel an ownership of its financial affairs, to understand them, and be able to extend this understanding to the Yearly Meeting Report and Accounts.

But it is also a statutory requirement. Paragraphs 41 to 59 of the SORP can helpfully be consulted by every Report writer, but the following summarized information from SORP will serve as a general guide. The AM Annual Report and Accounts is the statutory document and available to public inquirers, and must contain everything described below; the Reports of its constituent Meetings can focus upon the points which would most interest its own members and attenders.

Requirements are reduced for 'smaller charities'

Charities in England and Wales that are not subject to statutory audit – which currently means most Area Meetings – are not required to include all details in their Report, only those shown in Table 6e below. (see also CC15b 'Charity Reporting and Accounting: The essentials'). It is, however, good practice to go beyond this minimal requirement, as the remaining paragraphs of this section (6.11) – and the SORP itself – suggest.

Table 6e Contents of the Trustees' Annual Report for a smaller charity (England and Wales – not subject to a statutory audit)

		SORP paragraph
Reference and administrative information	The name of the charity Any other name by which a charity makes itself known The charity registration number (or Scottish Charity Number) (if any) The company registration number (if applicable) The address of the principal office of the charity The names of the charity's trustees or custodian trustee(s) on the date the report was approved. Where any charity trustee is a body corporate, the names of the directors of that body corporate should also be provided. The names of any other person who served as a charity trustee or custodian trustee in the financial year in question	41
Structure Governance and Management	The date and nature of the governing document and how the charity is (or its trustees are) constituted	44(a)
	The methods adopted for the recruitment and appointment of new trustees	44(b)
Objectives and Activities	A summary of the objects of the charity as set out in its governing document and of the main activities undertaken to further its charitable purpose for the public benefit.	47(a) 47(e) 47(f)
Achievements and Performance	A summary of the main achievements of the charity during the year in relation to its objects.	54
Financial Review	Policy on reserves stating the level of reserves held and why they are held. Where material funds have been designated, the reserves policy statement should quantify and explain the purposes of these designations, and where set aside for future expenditure, the likely timing of the expenditure. Where no reserves policy is in place, a statement should be made to that effect. Details of any fund materially in deficit and the circumstances giving rise to the deficit and steps being taken to eliminate the deficit.	55(a) 55(b)
Funds held as Custodian Trustee	A description of the assets which they hold in this capacity. The name and objects of the charity (or charities) on whose behalf the assets are held and how this activity falls within their own objects. Details of the arrangements for safe custody and segregation of such assets	59
Public benefit statement	A statement confirming whether the charity trustees have complied with their duty to have due regard to the guidance on public benefit published by the Commission in exercising their power or duties.	

Fuller information is required of charities subject to statutory audit

Besides the information stated in Table 6e, charities subject to statutory audit should include the following.

Reference and Administrative Information

“The report should provide the following reference and administrative information about the charity, its trustees and advisers.” It should therefore include:

- The registered name and any other name by which it makes itself known; that is the Religious Society of Friends (Quakers), along with the name of the Meeting. Registered meetings should give their charity registration number (in Scotland the Scottish Charity Number).
- The address of the principal office of the charity.*
- The names of all of those who were the charity’s trustees on the date the report was approved.
- The name of any other person who served as a charity trustee in the financial year in question.
- The names of any officers to whom day to day management of the charity is delegated by the trustees, for example the clerk, treasurer, property clerk, etc.
- The names and addresses of any other relevant organisations or persons. This should include the names and addresses of those acting as bankers, solicitors, auditor (or independent examiner or reporting accountant) and investment or other principal advisers.

* For an Area Meeting this will normally be the address of the clerk to trustees, failing which, that given for AM correspondence generally.

Structure, Governance and Management

Paragraph 41 requires the Report to “provide the reader with an understanding of how the charity is constituted, its organisational structure and how its trustees are appointed and trained, and assist the reader to understand better how the charity’s decision-making processes operate.” This information would include:

- The nature of the governing document and how the charity is (or its trustees are) constituted.
- The methods adopted for the recruitment and appointment of new trustees, including details of any constitutional provisions relating to appointments, and the policies and procedures adopted for their induction and training.
- The organisational structure of the charity and how decisions are made.
- Since the Area Meeting as a charity is part of a wider network, then the relationship involved should also be explained where it impacts on the adopted policies.
- The “relationships between the charity and its subsidiaries”; that is, usually between the Area Meeting and its Local Meetings, as well as other groups formally associated with it.

Para 45 of the SORP calls for a statement confirming that the major risks to which the Area Meeting is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage those risks. Paras 44 and 45 of the SORP apply in full to charities subject to audit and are encouraged as good practice for all.

The Meeting’s objectives and activities

Starting with this subject will be sufficient to immediately inform outsiders, but it also serves to remind Friends of the need for ongoing consideration of its life and purposes. It can also provide newcomers with information which they may not yet have picked up from other sources.

SORP paragraph 47 says that “the report should help the reader understand the aims and objectives set by the charity, and the strategies and activities undertaken to achieve them”. These can be set in the context of the longer term strategies and objectives set by the charity, and detail can be included about significant activities of the LMs. This is achieved by providing:

- A summary of the objects of the Area Meeting as a charity, from its governing document.
- An explanation of the AM’s aims, including the changes or differences it seeks to make through its activities.
- A description of the main objectives for the year, and the strategies for achieving them.
- Details of significant activities that contribute to the achievement of the stated objectives.

- A review of the significant activities (including its main programmes, projects or services provided) undertaken by the AM to further its charitable purposes for the public benefit. The details provided should focus on the activities that the trustees consider significant in terms of the charity as a whole. At a minimum, these should explain the various charitable activities described in the analysis note regarding this category.

The achievements and performance throughout the year

Paragraph 53 requires that “the report should contain information that enables the reader to understand and assess the achievements of the charity and its subsidiary undertakings in the year. It should provide a review of its performance against objectives that have been set.” It is helpful to identify any indicators, milestones and benchmarks against which to assess the achievements. In particular, the report should contain:

- A review of charitable activities undertaken by the Meeting that explains the performance achieved against the objectives set.
- Similar performance details where material fundraising activities are undertaken or material investments are held.
- Comment on those factors within and outside the Meeting’s control which have been relevant to the achievement of its objectives.

Financial review of the year

This is where the treasurer can help Friends to be interested in and to understand the actual figures. Speak directly to them as readers, help them to refer back to the SOFA, Balance Sheet or Notes by always using the totals recorded there, and if the financial information is in a Note, quote its number, and even the page number if the document is large. Use simple graphs and charts*; employ images, metaphors, comparisons and examples to aid understanding. The Report is the story of the Meeting’s life throughout this particular year; and there is an enormous satisfaction in having just one finance-averse Friend saying afterwards, “That’s the first time I’ve understood a balance sheet!”

SORP requires that ‘the report should contain a review of the financial position of the charity and its subsidiaries and a statement of the principal financial management policies adopted in the year.’ (para 55) In particular, the report should explain:

- The policy on reserves stating the level of reserves held and why they are held. Where funds have been designated (perhaps for a future large repair), the statement should quantify and explain the purpose of the designations and the likely timing of the expenditures. For guidance on developing this policy see CC19 “Charities and reserves”.
- The principal funding sources and how expenditure in the year under review has supported the key objectives of the charity.
- Where any fund is materially in deficit, the circumstances giving rise to this and details of the steps being taken to eliminate it.
- Where material investments are held, the investment policy and objectives, including the extent (if any) to which social, environmental or ethical considerations are taken into account.

* One imaginative treasurer presented a line graph of the deficit that had accumulated over 30 years as a thick red line stretched along 30 feet of a lining paper roll, which vividly made its point. See the BYM web site for a more generally useful graphic presentation.

The role and contribution of volunteers

As volunteers make a major contribution to the Meeting’s objectives and achievements, this should be explained in the Report. It is not required to assign an economic value to such unpaid voluntary contributions in the SOFA. The SORP, para 51, suggests one may quantify the contribution in terms of hours or staff equivalents and present an indicative value of this contribution. An appreciative note to the Accounts along these lines will provide sufficient information for an understanding of volunteers’ role and contribution

Plans for Future Periods

“The report should explain the charity's plans for the future including the aims and key objectives it has set for future periods, together with details of any activities planned to achieve them.” (para 57)

6.12 Alternative presentations of the Accounts

Summarized AM accounts

Friends will have become used to seeing the AM Accounts in the SORP tabular format. For presentation to Friends, or inclusion in the AM Newsletter, however, this is not ideal: other styles may be much easier to understand. In the coming years, treasurers may enjoy the challenge of designing the layout and presentation of the SORP tabular format in ways which are visually simple and attractive, but provide all the information that is formally required. SORP has clear instructions for such summaries, in paragraphs 371-79, which should be consulted. Briefly, they are:

Summarized financial statements should be based on the full statutory financial accounts, providing the key financial information, but without, for example, the greater detail from the notes to the accounts. They include a summary of the Statement of Financial Activities and/or Balance Sheet, should be consistent with the statutory accounts, and must represent the entire finances of the Meeting.

They should include a trustees' statement indicating that they are not the full accounts, but a summary; also whether the full accounts have been externally scrutinized yet, and if so whether that report included any qualifications or concerns,

Where a summarized statement is produced only for a Local Meeting, it must be clear that they have been extracted from the full accounts of the reporting Area Meeting (giving its name). It must also include the date when the full Accounts were approved, and an address where an inquirer could obtain them, along with the Examiner's and the trustees' Reports.

Meetings may also present **summary financial information**, which presents information on a particular aspect of the finances, for example, analysis of particular activities. It may be based on interim accounts or other financial information, but makes no reference to the SOFA or Balance Sheet, though should be consistent with them. It does not purport to summarize the full statutory accounts, and must not be misleading in any way.

Area Meeting may also provide summarized accounts in the circumstances described, and if so the collator should consult SORP in detail. Whatever the intended circulation of any summarized financial statements or summary financial information, they are no substitute for the full Annual Report and Accounts, which must always be produced.

LM accounts can be written to suit the Meeting

Many treasurers producing LM Accounts may well use the SORP tabular format – but provided that the requested information goes to the collator the report to LM can be in whatever form the Meeting requires. For a small Meeting the stiff table of SORP may be superfluous. The local Report and Accounts can deal with local matters simply and directly.

6.13 Achieving collation – preparing for examination

The collation into the AM accounts of those of perhaps ten treasurers calls for co-operation, a common understanding of the process and the goal and, often, sympathetic support of the less experienced by the more.

As explained in section 6.6, it is useful to agree a system early in the year. This needs to have the backing of the trustees, who are responsible for the process, but to be understood by all involved.

The AM treasurer should early in the year provide in writing:

- the pro forma for contributing treasurers to send in their accounts for collation;
- notes on this to explain what is required;
- the proposed timetable for all the stages up to presentation of the collated Report and Accounts to the Area Meeting in session.

There may then be a meeting of treasurers to share understanding and solve problems.

Towards the end of the year the AM treasurer (assuming that s/he is also the collator) would do well to circulate a reminder with another copy of the *pro forma*, notes and timetable.

The narrative report

The narrative report of the collated accounts will need to be co-ordinated with the narrative reports in the Local Meeting accounts. Usually the person who writes the AM collated report will take information and quotations from the local reports that s/he has received.

6.14 A timetable for the AM Report and Accounts

An Area Meeting's trustees should have time to look at the Annual Report and Accounts before the meeting at which they will be considered, and the other members of the Meetings may also want to have this opportunity. The distribution, approval and presentation needs to be carefully scheduled, and follows an AM-wide process which itself needs co-ordination. Detailed guidance for considering a time-table is in Appendix 2. It will probably be necessary for all the treasurers in the AM to confer about:

- a timetable for the local work
- whether the local Meetings will consider their own accounts, perhaps in a summarized form, before they go on for collation
- when the collation and examination will be done
- the expected dates for the trustees' consideration and the distribution to Area Meeting.

The AM clerks will also need to know what is decided, and how the schedule is going, so that they can include the presentation of the Report and Accounts in the agenda of a suitable meeting for church affairs.

Co-ordinating the Accounts and the budget

This fairly lengthy process means that figures from the final Accounts will not be available for a January budget. Draft figures can be used for guidance; or a large and busy Meeting may monitor its performance throughout the year and have suitable information for a late autumn budget. See chapter 8.

Useful publications

Publications are free unless priced. P&P not always included. Most are available on the web sites of the respective organisations. Later editions may have appeared since this list was revised.

An asterisk * indicates those most likely to be required by all treasurers.

FROM Charity Commission, 57-60 Haymarket, London SW1Y 4QX

Generally no hard copy is available: web site is www.charity-commission.gov.uk/

CC3 – The Essential Trustee: what you need to know (March 2012)

[Being a trustee](#) - this guide tells you the main things you need to know about being a trustee

CC7 – Ex Gratia Payments by Charities

CC8 – Internal Financial Controls for Charities *and* A self checklist for charities

CC9 – Speaking Out – Campaigning and Political Activity by Charities (March 2008)

CC11 – Trustee expenses and payments (June 2008)

CC14 – Charities and Investment Matters: A guide for trustees (October 2011)

CC15a – Charity Reporting and Accounting: The essentials April 2008 (April 2008)

* CC15b – Charity Reporting and Accounting: The essentials April 2009 (January 2013)

CC16 – Receipts and Payments Accounts Pack (non-company charities only)
CC17 – Accruals Accounts Pack (based on SORP 2005, for reporting using activity categories)
CC18 – Use of Church Halls for Village Hall and Other Charitable Purposes
CC19 – Charities and reserves (Jun 2010)
CC20 – Charities and Fundraising
CC31 – Independent Examination of Charity Accounts: Trustees' Guide (March 2012)
CC32 – Independent Examination of Charity Accounts: Examiners' Guide (March 2012)
CC39 – Accrual Accounts Pack (March 2010, for reporting using natural categories)

* Accounting by Charities : Statement of Recommended Practice 2005 (2nd edition 2008) £15

FROM NCVO, Regents Wharf, 8 All Saints Street, London N1 9RL

VAT Guide for Voluntary Organisations £4.00

<http://www.ncvo-vol.org.uk/>

Briefing on a variety of matters including national legislation and budgets such as ...

A briefing on the Charities Act 2006

Charity Law and Regulation

Advice on every aspect of financial management and trusteeship

FROM HMRC. Leaflets and advice are generally available only to download from

<http://www.hmrc.gov.uk/>

FROM Churches Main Committee, Fielden House, Little College St, London SW1 3JZ

* VAT and the Churches (also online at <http://www.cmainc.org.uk/> - q.v. for more)

Taxation of Ministers of Religion

* Tax Reliefs for Charities [IR75]

Thinking of taking someone on ? [IR53]

Gift Aid: A Guide for Donors and Charities [IR 113]

Charity Tax Pack

Deeds of Covenant: Guidance for Charities

FROM Accountancy Books, PO Box 433, Moorgate Place, London EC2P 2BJ

Tax Aspects of Charities [R. Vincent, 1998] £35.

FROM Directory of Social Change, 24 Stephenson Way, London NW1 2DP

A Practical Guide to Charity Accounting [Kate Sayer, 2003] £18.95

7 Examination of accounts

7.1 The purpose of an examination

The collated AM Annual Report and Accounts must be formally presented to the Meeting each year, copied to the Recording Clerk's Office at Friends House and, if the Meeting is a registered charity, sent to the Charity Commission. The recipients cannot themselves examine the cash books and supporting papers to check that the Accounts have been properly prepared. This is achieved by an independent examination or audit (see Table 6a or 6b) to check through the accounts looking for any errors or omissions.

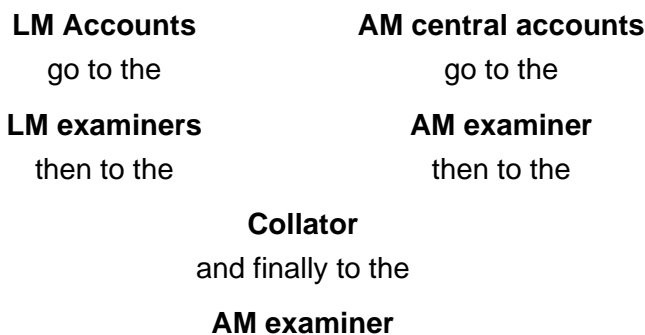
Each Local Meeting, too, needs to have its accounts examined as they will form a part of those collated accounts and the collation examiner will need to rely on their accuracy.

Each Meeting should also be offered intermediate reports on the financial situation at least half-yearly, better every quarter; these are usually unexamined.

7.2 Being an examiner

A Quaker examiner drew these conclusions from her experience:

- 1 The job is achievable, and a layperson need not be daunted by it. If the accounts are in good order, even a large LM shouldn't take more than about 3-4 hours. Obviously, if they are not it could take several times as long to reconstruct the books and obtain the verified information that the treasurer should have supplied.
- 2 An examiner may also educate – ensuring good practice, advising on improvements and preventing problems. The letter that is sent to the Treasurer after the examination can be helpful and informative.
- 3 There is a 'layering' of responsibilities and support. The sequence looks like this (though often the AM treasurer will also be the Collator):



The examiner can turn to several other financial people for help and advice – local and AM treasurers, serving and previous examiners and members of the Finance committee. They may be regarded as constituting a team.

7.3 The legal requirements

The charity accounting framework stipulates the legal requirements for the audit or independent examination of the Report and Accounts of charities as set out in Table 6a (England & Wales) or 6b (Scotland). Most Area Meetings will be in the category that requires examination of the accounts. This must be done by an independent person of sufficient competence – see section 7.4.

The requirements and the income and expenditure thresholds will normally apply to the Area Meeting *as a whole*, including the total of all the constituent Meetings (though excluding any separately registered trusts). *Quaker Faith & Practice* (14.15) recommends that all Meetings (however small, and both LMs and AMs) should have their accounts independently examined, even when the overall income is below the threshold that would legally require it.

i **About an audit**

Audit consists of the scrutiny of a charity's report and accounts to give an independent professional opinion expressed in the positive assurance that those accounts show a true and fair view. It must therefore include detailed checking of all the records, vouchers, etc. The duties of the auditor and the contents of the report are set out in regulations. The people eligible to audit are registered as auditors under the Companies Acts. Such scrutiny is much more rigorous than 'examination'. The auditor must also inform the Charity Commission if something is discovered of material significance to it.

i **Examination is less strict than audit**

The independent examiner, by contrast, is not required to form an opinion as to whether or not the accounts show a true and fair view. Instead, he or she states whether or not matters have come to attention that give reasonable cause to believe that the accounts do not agree with the underlying records, or that the accounts and records do not comply with the relevant legislation. Thus an examiner only has to give a negative assurance. Detailed checking of all the vouchers and other records only becomes necessary where material doubts or concerns arise as the result of review and analysis procedures carried out, and where satisfactory explanations cannot be obtained from the trustees. The Independent Examination will provide some degree of assurance, even though this will not be to the extent that would result from an audit.

Where a professional auditor is employed, he or she will determine the manner in which the audit is to be conducted and advise the treasurer of any particular requirements. Where an independent examination is sufficient, the treasurer and the examiner should consult the Charity Commission publications CC31 and CC32 on the *Independent Examination of Charity Accounts*. This chapter is intended to explain the underlying principles of such an examination to those who are new to the task and to give some practical advice on how to do it satisfactorily.

7.4 Appointing an examiner

It is the duty of the Area Meeting in session annually to appoint an auditor or independent examiner of the area meeting accounts. The person appointed to be an examiner, even if no specific professional qualification is required, should be "an **independent person** who is reasonably believed by the charity trustees to have the **requisite ability and practical experience** to carry out a **competent examination** of the accounts" (Charities Act 2011, section 145). 'Independence means that the examiner is not influenced, or perceived to be influenced, by either close personal relationships with the trustees or by day-to-day involvement in the administration of the charity.' (CC31) In a Quaker meeting context this calls for extra care and ideally someone from outside the meeting should be appointed*. Many Meetings find that a treasurer or other member from a neighbouring Area Meeting is a good solution. However it would not be satisfactory for a reciprocal arrangement whereby each AM treasurer examines the other AM's accounts, as they would not then be independent. Another solution is examination by a competent member of another denomination, who is certainly 'independent'. For detailed guidance see CC31 and CC32 on the *Independent Examination of Charity Accounts*. These also list the professional qualifications required where the income exceeds the threshold specified (see Table 6a).

* *Treasurers' News* 3 discusses when it may be in order to appoint an examiner from within the meeting.

i **The examiner and confidentiality**

Most examiners will realize that they are in a position of utmost confidentiality about the unpublished details of a Meeting's accounts. However, if a Meeting feels very strongly about this, the treasurer or collector can assign numbers to all the donors who are quoted in the cash books, the assigner being the only person to know the names.

The Area Meeting treasurer should send a letter well ahead of time to the treasurer of each constituent Meeting, and each examiner of such a Meeting, providing guidance on the minimum accounting requirements as well as the *pro forma* and notes on it (see Appendix 2). This should also contain a copy of the minute appointing the examiner, guidance as to the standard, scope and extent of the examination, and a copy of the standard 'satisfactory' report form* shown in Appendix 3. The examiners should also be provided with a photocopy of this chapter and with the Charity Commission booklet CC32 if that might be helpful.

*This form is not the only option. Examiners should be encouraged to be honest and open and qualify their report if necessary.

An experienced examiner may be able to help the treasurer with planning the accounts and with devising the most appropriate presentation and layout. This is particularly important now that the Annual Accounts must be prepared according to the Charity Commission *Statement of Recommended Practice*. Nevertheless it is important that the treasurer should understand and agree with any suggested alterations to the accounts, and should retain responsibility for their content.

Paying an examiner or auditor

Meetings would normally look for examiners to work on a voluntary basis, but if they cannot find a 'competent person' as volunteer, they are entitled to pay a reasonable remuneration and to regard the payment as a proper charge on the Meeting's funds. Many accountancy practices have a policy of accepting several charity accounts each year for a nominal fee, and the treasurer or clerk could ask around (in plenty of time).

7.5 Principles of examination

The purpose of the examination is to ensure that the accounts give the reader a clear picture of the financial state of the Meeting and the changes that have taken place during the preceding year. The focus needs to be on the broad view rather than the narrow detail. While doing the checks below, the examiner should keep in mind the following two questions:

- do the figures make sense?
- do they reflect what has actually happened?

'Making sense' basically means helping you to understand the Meeting's life and activities. What do you know about the Meeting? In the light of that knowledge, do the figures make sense? Are they helpful? It's your job to ask questions if they're not — remember your educational function, regarding that Meeting's finance.

There are several steps to help make sure that they do reflect what actually happened.

Skim down the analysis columns — does the assigning of items to headings seem consistent? Were the Acting As Agent items analysed and the sums received set against the sums handed on in some methodical way?

- a) Do all items in 'Other or Sundry or Miscellaneous' really belong there, or can they be analysed more precisely? Compare the current year with the last and ask yourself questions about all the noticeable variations. For example, if the telephone cost has doubled, is there an explanation for increased usage, or has some other payment been accidentally added into that column?
- b) Where there is a substantial number of similar small items, for example travel expenses or conference fees, it would be difficult and unnecessary to check each one. Instead, check a suitable sample and draw conclusions about the whole from that sample. If the sample is satisfactory, then nothing further needs to be done and you can concentrate on other areas. If problems are found with the sample, you will need to examine more items until the extent of the error can be established. Make sure you point this out to the treasurer, so it doesn't happen again.

As well as identifying the income and expenditure for the year, and providing comparisons with the previous year, it is equally important that the accounts should disclose all the resources

(funds) available to the Meeting and the purposes for which those resources can be used. For example, the SORP requires all Restricted Funds to be recorded separately (see section 3.6 Funds: Unrestricted, Restricted and Endowment). To report adequately on this, the examiner should have access to files maintained by the treasurer to record information relating to property, trusts, legacies, minutes and standing instructions.

7.6 Before you start to work

- **Local, AM, and Collated Examinations** The following guidance applies to local examinations as well as the Area Meeting central accounts. Further issues about the Collated Examination are at the end of this chapter.
- **The SORP tabular format** You will need to understand this format, either because the Meetings are using it or because you will have to recommend its use and probably guide them in it.
- **Check that you've got everything** You must be sure that you have received from the treasurer(s) everything that you will need. It will help considerably if they are using a 'Check-list for examination' (Appendix 3a).
- **As soon as you receive the material** check it against that list and, if necessary, immediately contact the treasurer to remind her or him of the need for missing items promptly. This will prevent a delay caused by your not discovering the omissions until the weekend you had set aside for the work.

7.7 Verification of assets and liabilities on the balance sheet

In all the steps explained below, practical notes about points that may arise in the actual work are included. They are italicized.

The mnemonic **VIDEO** can be helpful when considering items on the balance sheet:

V	=	Valuation
I	=	Inclusion
D	=	Disclosure
E	=	Existence
O	=	Ownership

In the steps to verify assets & liabilities on the balance sheet, there are five questions to ask about *each of these aspects*:

Valuation: Is the financial figure (monetary value) correct? Could it have been mis-copied, perhaps, or be out-of-date? Are the amounts brought forward at the start of the year the same as those declared to have been carried forward at the end of the previous year?

Inclusion: Is everything the Meeting possesses (its assets) included? 1) 'Fixed assets' of sufficient value: for example, piano, computer, antique table. 2) 'Current assets': ALL balances, etc (as in 'All resources', above). Loans to be repaid to the Meeting.

Disclosure: Is the item in the right place, and described in the most appropriate way? For example, are all the creditors on the right line ('within one year', 'more than one year'); have any been mentioned in notes and not included here?

Existence: Do all the included items exist? Did they sell the piano during the year, and spend the money?

Ownership Do all the items belong to the Meeting? For example, does that antique table actually belong to an elderly Friend, though on loan for the past 45 years?

Verify the cash balances

Those same questions could apply to the work on 'Cash at bank and in hand':

Valuation: Find out how much was in the bank at the year end by looking at the bank statement, or by writing to the bank if necessary. (You will need authorisation from the treasurer if you want the bank to release information to you). Examine the bank reconciliation.

Inclusion: Ask the treasurer if there was any other money at the year end such as a cash float or coffee money. Read the minutes of the Meeting in the final month for information about money collected.

Disclosure: Check that the presentation in the accounts is clear.

Existence & Ownership: Look at statement or write to the bank, checking that the money does exist and does belong to the appropriate fund in the Meeting.

It is necessary to reconcile all balances. Phone the treasurer and check whether there are any lurking accounts not included — deposit accounts, separate accounts for Restricted Funds, petty cash, etc. Repeat the enquiry the next year, if possible; a dormant account may have come back into use but the treasurer forgot to tell you about it.

Verify the debtors and creditors

Another example could relate to some money to be passed on to the Yearly Meeting Fund. In this case:

Valuation: Look at any letters or schedules stating how much is to be passed on and look at how much has been paid over **since the year end**. In other words, this is the way you would determine what had been owing to creditors at the year-end (or at least were promises to be honoured).

Inclusion: Check large payments made after the year end to see whether they relate to the new year or whether they were included in creditors. Look to see whether the Meeting agreed to make contributions to the Yearly Meeting Fund and, if so, whether this has all been paid over.

Disclosure: Check that the accounts show clearly how much was owed at the year end.

Existence & Ownership: Check that all money owing has been paid over after the year end and check any documentation to show that it was definitely to be passed on.

The final reconciliation and balances

It is essential to check on the bank reconciliation made at the year end, especially if, as is usually the case, the cash book balance is different from that on the bank statement. This can be verified in the usual way:

- check that the deposits and the cheques not included on the bank statement have been entered in the cash book before the year end
- check that these items have all cleared on the bank statement after the year end, or investigate any that are still missing. It is also very useful to check the reconciliation provided by the accounts working schedule (trial balance), which will reveal most errors or confusions.

Bank reconciliations should have been done regularly. If they aren't available for the whole year, questions must be asked about procedures. If there is no end-of-year reconciliation the matter is more serious and book-keeping instruction or help should be arranged.

7.8 The steps of verifying the cash book transactions

The same questions can be asked about the cash book.

But it can be more difficult, especially for income, where often there are no original documents (e.g. duplicate receipts books), and the Meeting simply relies on the treasurer to ensure that all income is included. It is therefore a help to read quickly through the whole receipts file, for an impression of the general thoroughness, referencing, etc, and this may make it easier to locate individual items later if you need them. Some possible tests would be:

- Take a selection of schedules and donation letters and check that the amounts shown have been paid into the bank and included in the total for contributions. Too often there isn't a file of schedules and letter to select from; if so, draw this to the treasurer's attention.
- Check the bank statements for interest added and find these amounts in the cash book, or check that they've been added for the accounts, and in what way. People can get confused about interest on deposit accounts, being especially likely to forget to enter it as income.

Most AMs will be using a pro forma for the collation, on which there would be named rows for all items relevant to its constituent Meetings. All LMs can use such a form as a guide to their cash book headings, and to enter their year-end figures.

- Look at receipts for room hire and see that these are in line with the agreed charging policy. If there is no such policy suggest to the treasurer that the Meeting could consider one.
- Check that the amounts received appear in the bank statements. A particular problem is finding that room hire receipts have been used for cash payments. Be very firm in a letter pointing out and correcting this practice; cash receipts must be paid into the bank complete and all cash outgoings must be made from a Petty Cash float. Try to check later in the year whether correct practice has been implemented. Also consider whether the total amount is consistent with the use made of the meeting house; this can be a sensitive subject, but an outsider is in a good position to at least raise the question.
- For each category of **income**, compare the amount received to that of previous years and to the budget; obtain explanations for any large or unusual variations. Consider any other comparisons that can be made, such as payphone receipts to the telephone bills, or the receipts from an event to the number who attended. Once again, it's helpful to have questions (or at least comments) from an outsider.
- For each category of **expenditure**, compare the amount spent to that of previous years and to the budget. Consider whether the figures accord with your knowledge of the activities of the Meeting. Check any large or unusual items.
- Make a selection of **individual payments** and check that they have been properly authorised, either by a specific minute or an invoice signed by the appropriate person. Meetings may still neglect to have invoices signed by an authorising person before the treasurer can send a cheque (see section 5.16, 'Preventing fraud, error and confusion'). Also, some Meetings will not have made sure that the treasurer always gets minutes authorising unbudgeted expenditures.
- Look at the invoice to ensure that the correct amount has been paid and included in the accounts. Check that the expenditure has been correctly analysed.
- Check the receipts and payments in the Acting as Agent columns (used for the transactions being handled for others). These can usually be analysed easily, with the receipts checked against payments to determine whether any are outstanding. The outstanding amount should be included in the notes to the accounts and not counted in the balance sheet as belonging to the Meeting. The balance sheet for the Meeting funds would then show, not the whole of the cleared (or adjusted) bank balance, but what remains after the amount not yet passed on has been allocated to the Acting as Agent fund.
- Read the minutes of the Meeting and check whether all agreed expenditure has been undertaken, and that any significant outstanding commitments have been noted in the accounts. Check that collections and agreed contributions for others have been recorded and the payments made. Sometimes the Meeting has not arranged for the treasurer to have his or her own copies of all minutes regarding finance. But certainly you must ask whether there are any outstanding commitments that aren't in the accounts and about which you haven't been informed.

These are only suggestions, and each examination of the accounts will need to be geared to the size and nature of the Meeting and its activities. The points in the Questionnaire for constituent Meetings' examiners (Appendix 3a) will also provide guidance as to what you need to have done.

7.9 The Reports, and possible problems

For accounts on an accruals basis the legal document is an 'Annual *Report and Accounts*'. Each Meeting should produce a Report. This serves as a 'story' of the Meeting's year, in words rather than numbers, and provides an opportunity for discussion. Less numerate Friends who read it may be gently guided from it to some of the related figures, so that it can be an opening for education.

The Local Meeting report

The Report should be the responsibility of the Meeting. It might be drafted by the clerk or a Friend appointed for the purpose – but all Friends may contribute to it, and may through it better understand some of the related figures. After the local Examination, points from it will be included in the collated Area Meeting Annual Report and Accounts by the AM trustees.

The AM trustees' report

The Area Meeting narrative report will be by the trustees and seen by the examiner. The information required in the Report is described in the SORP, mostly in paragraphs 10-15, 35-39 and 41-59. The lesser requirements for smaller charities are outlined in Appendix 5 of the SORP and would apply to most Meetings. The treasurer will need to read the draft report to ensure that all necessary items are included and to bring to the trustees' attention any financial references that are misleading or inconsistent with the accounts.

If the Area Meeting total (collated) income is so small that accounts may be and are on a receipts and payments basis, an examiner is not required to consider the report, but it may nevertheless provide a useful guide to the activities of the Meeting.

The examiner's report

After the examination, the collation examiner must provide a written report for the trustees of an Area Meeting (see example in Appendix 3b). Local examiners should also do one for the Local Meeting; this will go to the collator if the chosen collation process depends upon prior local examinations of the constituent Meetings' accounts.

In order to give a satisfactory report, an examiner needs to understand the context of the accounts and to obtain an overall picture of how the Meeting functions and how it has used its resources. You must also be satisfied that the accounts present that picture in a way that can be readily understood.

All being well, this report will state that the accounts have been prepared in accordance with the appropriate standards and that nothing has come to the attention of the examiner that requires further report under the Charities Act regulations*. However:

- you are not required to state that the accounts are absolutely correct
- unlike an auditor, you do not have to express an opinion as to whether they constitute a 'true and fair view'.

In other words, you are saying that you have not found anything wrong, whereas an auditor has to say that everything is right—but for a fuller and more precise description of the difference, see section 7.3.

An approved form of words for the independent examiner's report if or when all is in order, taken from the Charity Commission's document CC32, appears as Appendix 3b. In Scotland the relevant format is to be found in *Scottish Charity Accounts: a guide to the 2006 regulations*. (OSCR 2007). This is another useful approach to a check-list for any examiner.

* 'Further report' refers to the obligation upon the examiner to report any serious and unresolved concerns about the conduct of the Meeting's affairs to the Charity Commission.

Contents of audit report or independent examiner's report (Scotland)

The report must state:

- Whether, in the case of an independent examiner's report, the charity is entitled not to have an audit
- Whether in his or her opinion the balance sheet and income and expenditure account (or the receipts and payments account and statement of balances) have been properly prepared.
- Whether the balance sheet gives a true and fair view of the state of affairs of the charity at the end of the financial year

- Whether the income and expenditure account gives a true and fair view of the surplus or deficit for the financial year
- The following, each issue only to be referred to if it applies to the accounts in question:
 - The annual report is inconsistent with the accounts
 - Proper accounting records have not been kept
 - The accounts are not in agreement with the accounting records
 - All necessary information was not provided
 - The accounts fail to comply with relevant statutory requirements
 - The accounts fail to comply with the governing document.

7.10 Problems arising from the examination

The examiner may not feel able to give a satisfactory report. This could arise from some difficulty in verifying the figures, or adequate information not being available, or disagreement about the way in which the accounts should be presented or about the accounting standards used. For very small matters, which don't substantially affect the validity of the accounts, you may feel that a letter to the treasurer with suggestions for improvement will be enough. When it is more important:

- 1 Discuss the matter with the treasurer in order to see whether the problem can be overcome by some alteration or addition to the accounts. In most cases this would resolve the problem but, if a difficulty remains,
- 2 Refer the matter to the trustees (of an AM) or the Finance & Property Committee (of a local Meeting) for further consideration.
- 3 If a difference of view persists and the matter is significant, then you would need to include a suitable reference to it in the report.
- 4 This situation is likely to be extremely rare and, if it does arise, an examiner may want to seek guidance from the Finance and Property Department in Friends House.

7.11 Collation and Examination

Collation was briefly explained in section 6.2. Since Area Meeting is the charity, the charity's Annual Accounts will include the financial information about every constituent Meeting.

In fact, the AM's central books will have to be closed and its accounts prepared just as those of the Local Meetings*. With a large or busy Area Meeting, these may even have been examined before the 'collation examiner' starts his or her work. The last stage involves adding the accounts of the other Meetings, to provide the 'collated accounts of the Area Meeting', ready for the final examination.

The same principles apply to the examination of collated Area Meeting accounts as apply to other accounts. However, the choice of examiner may not prove as easy, and the task facing her or him poses several different issues. Examiners of *local* accounts need to be only moderately competent in Quaker accounting. A treasurer of two or three years experience should be able to do the work quite easily, as could someone with a background in other voluntary treasurership or the keeping of business accounts, as long as he or she is familiar with the SORP format and requirements. Higher levels of competence will generally be needed in a collation examiner (section 7.4).

* It can be confusing to use the same term both for the accounts resulting from the AM's own activity during the year and for those providing the collated figures. It would be best to use the two terms, 'AM central accounts' and 'the collated AM accounts'.

7.12 Two practical approaches to the collated examination process

How does a collation examiner obtain sufficient assurance about the accounts of the constituent (i.e. Local) Meetings, and Area Meeting as a unit in itself before the collation)? He or she would need to have all the accounts and supporting papers (cash books, bank

statements, reconciliations, invoices, etc, etc) of every Meeting and should check that these are fairly reflected in the collated accounts. But how does he or she know that these accounts are indeed sufficiently reliable? There are two approaches. The collation examiner can either:

- do all the examinations, both of all the constituent Meetings (including AM), and then of the AM Collated Accounts, or
- confidently rely on the work already done by the examiners of each constituent Meeting (including AM) in order to do his or her examination of the collation.

If one examiner does it all

This approach appears to be more straightforward and to provide better assurance. However, it would be a daunting task, and a lot to ask of a volunteer. The amount of work needed to give an opinion on each individual Meeting's accounts on their own will be much greater than the amount required of a collation examiner when the local accounts have been individually examined before being collated. This is because figures will commonly be shown at a higher level of detail in the individual Meeting's accounts. Therefore much additional work would be needed to examine the collated accounts, because at this last stage many of the helpfully detailed figures in the individual accounts will be immaterial or even irrelevant in the context of the collation.

If the AM examiner relies upon local 'secondary' examiners

It is likely that in most Area Meetings the examiner of the collated accounts will rely on the work already done by the examiners of the individual accounts. This is a method that greatly reduces the burden on the collator and the collation examiner. The most obvious errors and omissions in the LM accounts will already have been sorted out by the Area Meeting treasurer in drawing together the information from all the Meetings and constructing the collation, so as to make the information meaningful for collation. However, the final stage of the process will be further simplified and shortened if each set of LM accounts has already also been examined. For a recommended sequence of events see Appendix 2.

In the professional field, auditors sometimes have to rely on the work of the auditors of subsidiary accounts, and there are guidelines for placing reliance on the work of these 'secondary auditors'. In a similar way, such principles would apply to the 'secondary examiners' who do the LM accounts ready for the AM collation. In essence, the guidelines require that as a minimum the AM examiner (or auditor when the AM is at a level requiring audit) should be satisfied about:

- the terms of the secondary examiner's engagement
- any limitations placed thereon
- his or her competence and independence
- the standard, scope and extent of the examination

7.13 The procedures for the Collated Examination

It is important for the AM treasurer to discuss the procedures to be adopted by the Examiner well in advance of the examination. The treasurer should note that if considerable checking proves necessary it could extend the length of time needed for the examination, and this should be allowed for in fixing timetables.

A description of a suitable collation process can be seen in Appendix 2.

Different Examiners will take different approaches to their task, and the procedures suggested below should be seen in this light. The AM treasurer can help an Examiner who seeks guidance by drawing these procedures to his or her attention, but ultimately *the Independent Examiner of the Collated Accounts has the final say as to the work that he or she will perform.*

- 1 The first check by the Examiner of the collated accounts would be to ascertain that the constituent accounts have each been independently examined by an independent and competent examiner and have been signed off as such, and the questionnaire described above is a very satisfactory means.

- 2 It would probably be good practice for you to see the relevant minutes of the constituent Meetings appointing those persons.
- 3 A statement as to the ability and independence of the examiners upon whom you have to rely should be provided by each LM.
- 4 In deciding whether to do any further work of checking, you will also need to consider the impact of the figures in each set of constituent accounts upon the collated accounts. Where the impact is very limited, and especially if the questionnaire is satisfactory, no further work may be necessary.
- 5 Beyond that, if there is any question, have a discussion with the Examiner(s) of the constituent accounts (who should have kept photocopies of the main papers). This should ascertain that the appropriate checks have been carried out, that no causes for concern were identified, and would usually give sufficient assurance.
- 6 Where the subsidiary accounts do have a substantial impact upon the whole, or you are not satisfied by the responses from the local Examiner, you may judge that you need to see some supporting evidence. In the case of professional auditors, review of the secondary auditors' working papers is usually deemed to be sufficient. However, a local Examiner of a constituent Meeting may not have prepared extensive working papers (e.g. lists of everything looked at, and all queries checked), and you may want to call for further evidence, such as the bank statements and closing bank reconciliation, and the books of account. This would be primarily to determine that the evidence available to the constituent Meeting's Examiner was sufficient to enable him or her to form an opinion. (An Area Meeting collation Examiner would need to re-perform substantive tests of this evidence only in very exceptional cases.)

 How long would a collated Examination take?

This would depend upon many factors: how many LMs, how good were their Accounts, did they all provide their information on a pro forma provided by the AM treasurer, was the local Examiner's questionnaire used, is the collation itself sound and does it conform to SORP, etc? Ordinarily, one to three days would not be unreasonable, but if the process was not sound, well thought out and carefully followed, the final Examination could be as long as a piece of string.

8 Budgets, reserves and financial monitoring

8.1 What the budget is

The budget is a look ahead to what the Meeting expects to achieve, expressed in terms of the resources required. This begins with the meeting's planned activities, both those that will need to be paid for and those that should produce income. These will involve the whole Meeting so all participants should be aware of their financial side. Formally, the budget is the responsibility of trustees; actually it is the concern of everyone*. Although the treasurer or, in a large Meeting, a Finance Committee may produce a draft budget, it should be clear that this is a document for discussion. It is important for the Meeting to note any policy implications of the suggested figures. Once a budget has been agreed, and approved by the trustees, it serves as an authority to make payments as well as providing the basis for financial monitoring and reporting to the Meeting, thereby continuing Friends' involvement.

* It is not the treasurer's job to take decisions about the Meeting's money, but rather to inform Friends so that they can decide for themselves. The treasurer informs and advises; the Meeting considers and confirms; the trustees formally authorise.

8.2 What reserves are

The reserves of the Meeting are the resources available in support of its budget for the current year and the future. They need to be considered systematically – and there needs to be a policy that indicates what level of reserves the Meeting aims to hold and why. *

* See *Treasurers' News* 10, p.4, for a possible template for devising a reserves policy .

A **general fund reserve** is to ensure that even if income lags behind expenditure there will be money available to keep the meeting going. It will also allow for any likely shortfall in income in the near future. For meetings without their own buildings this may be the only reserve required. It should be simple to assess, generally somewhere in the region of six months' spending – though Friends may be very cautious and think in terms of twelve months.

For specific purposes, **designated reserve funds** are recommended. Meetings that occupy meeting houses and pay for their own furniture and interior decoration will need to plan ahead for what may be required and save up accordingly. Responsibility for the repair and maintenance of the buildings themselves entails greater uncertainty and potentially much larger amounts. Assessing the required amounts can be more complicated and is discussed below.

8.3 Building the budget

Local Meetings

Most local Meetings will have fairly simple budgets. In planning them, you will need to be aware of two classes of expenditure. There is firstly the ongoing cost of running the Meeting and secondly the provision for major repairs and maintenance and for the replacement of capital items. This second class is usually taken care of by establishing a designated fund into which annual payments are made.

A designated fund to save up for major items

This policy is recommended for any Meetings that are responsible for the major repairs on their building. The annual amounts set aside into a designated reserve fund (sometimes called a 'sinking' fund) will depend on how much use the building has and on the arrangements for sharing responsibility between Local and Area Meetings. Section 13.1, 'Financing repairs and maintenance' includes detail of designated repair funds and especially of a Joint Reserve Fund to which all LMs contribute but which is managed by Area Meeting, normally the most effective way to deal with repairs within an AM.

Most commonly, Local Meetings will be responsible for interior decoration, floor coverings, furniture and heating systems, whilst AM will look after exterior decoration and the fabric of the buildings. ('A Handbook for the Care of Meeting Houses' deals fully with the long-term maintenance costs for the fabric of buildings.) The amounts to put in the budget depend on the things that the Meeting is responsible for, and their likely replacement time. For some items such as floor coverings and interior decoration, and general wear and tear, this will partly be determined by the use which the building gets. A relatively simple calculation of future needs might be as follows:

	Total cost	Life in yrs	Annual amount
Floor coverings	4,000	10	400
Curtains	600	15	40
Decoration	5,000	10	500
Central heating boiler	2,000	10	200
Electrical equipment	1,000	10	100
		Total	1,240

Note that the movement of money into the 'maintenance fund' is a transfer within the meeting, not expenditure. When money is actually spent it will be classed as support costs (see section 5.9: 'Support Costs' on page 32).

Annual payments

To review the expected payments in the year from its general fund, the meeting as a whole needs to decide what it will be doing. Some costs may not vary much from year to year but children's work, new books for the library and possible events such as Woodbrooke on the Road can be variables. The amounts to be sent to Area Meeting and Britain Yearly Meeting* can be reviewed, as can subscriptions to other bodies (e.g. 'Churches Together in ...', Quaker Council for European Affairs). You may be able to offer the meeting estimated costs by referring to previous years' budgets and to the actual figures in the current year to date and in previous annual accounts, judging what increases are likely and where economies may be possible. The example on the next page is the result of such a process for a Local Meeting.

* 'Britain Yearly Meeting of the Religious Society of Friends (Quakers)' was registered with the Charity Commission (number 1127633) early in 2009.

Note that payments to the Area Meeting will be eventually be collated into transfers within AM as a whole. Annual expenditure will also include whatever is spent from the designated maintenance fund.

Annual income

Again, income can best be assessed by reference to earlier years, but don't assume that income is out of your control. Friends and committed attenders will respond to need if care is taken in presenting information to them. If the meeting house spaces are not fully utilized, hirings income may also be increased, but remain aware of the extra costs that hirings imply. The total income for the same budget might be as shown on the next page.

Remember to maximize tax-effective giving. See section 5.12, 'Tax-effective contributions'.

EXPENDITURE	Budget Year	Previous year
Local activities:		
Expenses of clerks, etc	100	100
Support for Friends	100	100
Children's work	150	150
Library	100	100
	450	450
To be sent to Yearly Meeting	2,000	2,000
Meeting house upkeep:		
Utilities:		
Electricity	250	235
Gas	500	480
Water & sewerage	300	290
Telephone	200	185
Maintenance:		
Cleaning	150	150
Gardening	200	200
Minor repairs	300	250
	650	650
Other expenses	160	260
Contribution to AM	1,500	1,500
Transfer to Maintenance Fund	<u>1,240</u>	<u>1,200</u>
Total	7,250	7,200

INCOME	Budget year	Previous year
Schedule & other contributions	4,350	4,325
Collection boxes	650	650
Investment income	250	250
Special fund-raising events	420*	420
Hirings	<u>1,580</u>	<u>1,555</u>
Total	7,250	7,200

* Where there is a fund-raising group in the meeting, the figure to be raised may simply be omitted to show a deficit. This calls attention to the situation!

Balancing the budget

To arrive at a balanced budget, in which the expenditure is the same as the income, it is usually necessary to go through a repeated process of reducing costs and/or seeking new income.* The whole Meeting should be involved in this part of the financial planning because it concerns the setting of priorities for both raising and spending money. Achieving this involvement is not easy, but regular reporting will help with it.

* Special appeals, and events such as garden parties, can be very effective in raising funds, especially when there is a specific objective. See section 'Fund-raising for major work' in 13.1.

Budgets for a large LM or for AM

Meetings vary so much around the country that no sample budget will be a close fit. Large Local Meetings may well have periodic or occasional heavy expenditure for which it is necessary to plan by building up or maintaining an appropriate financial reserve. The treasurer needs to provide information for the Meeting's decision, with explanations and options, as well as recommendations.

An Area Meeting would also be wise to plan and work to a budget. It may well have a Building Reserve Fund to which those LMs who are able contribute annually. It may also own and administer investment properties, significant other investments and restricted funds. Its budget, the responsibility of the AM trustees, may best be prepared by a Finance or Finance and Property Committee having representatives from the LMs along with the treasurer and the AM Clerk *ex officio*. The role of the treasurer, or preferably a collector/communicator, would be important for a Meeting of this size, to help Friends understand the complexities of their business, and the technical advice that they receive about policy and specific issues.

8.4 Timing and presentation

Because the budget provides the treasurer with authority to make payments, it is ideally agreed before the start of, or very early in, each year. Estimated results for the previous year are likely to be fairly accurate by November and can contribute to setting a budget before the end of December. Needs can vary from one year to another, particularly in the repair and maintenance of property, so it is prudent for premises committees to look carefully at their buildings. They should prioritise and assess the cost of work that may be undertaken during the year. This will form another important component of the budget. The draft then needs to be presented to and understood by the Meeting.

To do this successfully calls for an imaginative presentation. Pick up hints from television documentaries, presentations at the workplace, manuals and textbooks that interest you, *Treasurers' News* and *Quaker News*, and especially suggestions from Friends in the Meeting. Use visual aids whenever possible – most people understand graphs and pie charts. Compare the current budget with the situation ten years ago, to demonstrate the changes in the Meeting, or have a chart to show how its plans fit into a five-year scheme preparing for a large project. On the whole, avoid quoting too many figures. Verbal descriptions of the budget subjects will be easier for most Friends, but make sure that complete copies are available for those who do understand figures or who want to try to learn.

Where the income may be insufficient to cover all the expenditure suggested, offer options in a way that allows Friends to understand the choices to be made. (The time to offer choices about what to do with a surplus of income over expenditure is much later, after the Report and Accounts have been agreed and any surplus is actual rather than estimated.)

8.5 Monitoring progress against plans

A budget isn't much help unless, generally, you keep to it. Progress should be monitored throughout the year. For a Local Meeting this can usually be done by the treasurer making some simple calculations at intervals. A larger Meeting may need a more formal system. The budget figures can be broken down, probably into quarters, and the actual figures from the cash book entered beside them at the end of each period. Significant variations from the budget should be examined, and then explained to the Meeting.

Usually the treasurer would not be asked to distribute the spreadsheet with these figures to the Meeting, but try to give an oral report regularly, and point up any issues that need to be looked at and discussed. The trustees of an Area Meeting (see section 14.6 on 'Trusteeship') will need to learn how to understand the information in such documents. A keen treasurer/collector team will find many opportunities for education!

Accountants were using this word for their work on paper sheets long before computer users took it over

8.6 Managing the reserves

Ideally the **general reserve** at the end of the year should be very roughly as stated in the Meeting's reserves policy. If used to cushion a shortfall in resources for six months or a year (the usual levels held) it will need to be built up again sooner or later against possible hard times ahead. If it falls very low, e.g. to less than three months' expenditure, its regeneration becomes important. On the other hand, if it tends to increase annually and significantly exceeds the policy figure then the Meeting needs to see how to employ the surplus in accordance with its charitable purposes, normally by supporting Quaker work in one way or another – e.g. in Britain Yearly Meeting or a Quaker charity. The **maintenance fund** needs to be reviewed in the light of likely expenditure over the next several years and may be subject to much wider limits as to amount. Here too, however, holding too much money should be regarded as seriously as holding too little.

There is valuable guidance in the Charity Commission's publication CC19: "Charities and reserves".

9 Collecting and 'fund-raising'

9.1 Introduction

To be consistent with the SORP, this chapter ought to be entitled 'Incoming resources' – but what would that mean to the uninitiated? The detailed headings (Table 5d) are voluntary, activity-generated and investment income. This chapter deals with aspects of each of these but for discussion of collections and contributions where the meeting is 'Acting as Agent' see section 5.11 and 'Dividing contributions between different recipients' in section 5.9.

Overall, members (and attenders are generally included in the term for this chapter's purposes) need to be aware of the financial needs of not only the local meeting (LM) that they attend but also the area meeting (AM) and Britain Yearly Meeting (BYM). The LM is around them on Sundays, the treasurer may be known to them and the annual budget and accounts, if not familiar, are at least spoken about on the premises at some times of the year. The AM may need more publicising both for what it does and for what it costs. Different AMs vary greatly in their activities and resources; they need individual explanations. BYM, on the other hand, is common to all its meetings. Its structure and activities are well presented annually in the BYM Trustees' Report and Accounts: a model document in many ways that is far too little read and appreciated.

9.2 Voluntary income: contributions

'Do you give a right proportion of your money to support Quaker work?' (*Advices & Queries*). This query is not an easy one to answer. More questions arise from it. For example:

- How do I know enough to make an informed judgement about how much is needed and how to allocate my giving between Local Meeting, Area Meeting, Yearly Meeting and other Quaker funds?
- How can I assess what is a 'right proportion' for me to give to the total work of the Society?
- What are the means by which, individually and corporately, contributions can be made to the Society's work?
- In particular, how is the schedule to be circulated?

Beth Allen 4 questions to the Annual Conference of Treasurers 2008 on 'Holding our money in the light', reported in *Treasurers' News* 1, are recommended for the consideration of all treasurers.

It is in helping individual Friends and Meetings to find their answers to such questions that treasurers and collectors play a crucial role as indicated in Chapter 2, 'Being a treasurer or collector'. *Quaker Faith & Practice* (14.05-14.12) provides an overview of giving for Quaker work.

How much to give?

Being a member or long-term attender of the Area Meeting represents a commitment to the Society's financial well-being. Treasurers and collectors need to be plain about the need for financial support of Quaker work at all levels, as well as being sensitive to the particular constraints on each individual. Each contributor will need to find her or his own answer but you can be ready to help when Friends seek guidance, to have information for them, and be able to share your own understanding of needs and resources.

Advice on levels of giving is included in each year's contribution schedule (*Quaker Faith & Practice* 14.09). This may be, or may include, that published on behalf of BYM, available from Quaker Communications Department at Friends House – but many meetings produce their own versions covering local and area meetings as well as BYM. *Treasurers' News*, freely available to treasurers and collectors, on occasion provides updates on Yearly Meeting needs. Contribution income needs to cover the core costs of the organisation, such as support for Meetings and corporate witness.

What Friends contribute can only be for them to decide and confidentiality is crucial. Individual overseers may be the best source of advice when Friends wish to seek it. Some Friends have adopted a guideline for giving of 5% of net disposable income. Some will want to contribute more than this, while for others there will be good reasons for giving less.

"And let our ordered lives confess / The beauty of thy peace."
John Greenleaf Whittier,
Quaker Faith & Practice,
20.03

i **A rough calculation for 'net disposable income'**

- Add up your total income, including everything (net, after deductions), such as: Wages/salary; Pension or other benefits; Dividends & interest; child support; maintenance; bonuses and rebates
- Then add together all your essential expenditure, such as: food; shelter (mortgage/rent, services, council tax); warmth; health payments; education; transport; other ordinary necessities; other essential expenditure due to special circumstances
- Subtract your essential expenditure from your total income to obtain your net disposable income. Five per cent of that figure will give you a starting point for considering what could be an appropriate contribution in your circumstances.

Understanding BYM finances

Yearly Meeting structures and work provide support services for local Meetings and assist in outreach and the development of new Meetings. The pooling of resources enables Meetings to be involved in Quaker witness which they would not be able to sustain alone. It provides an identity to represent the Society of Friends in Britain in various national and international forums.

Quaker Finance and Property Central Committee are responsible for the effective stewardship of financial resources for the central work. In carrying out this responsibility, they regularly review income and expenditure, forecast the likely financial implications for the current year and the next three years and advise the BYM trustees accordingly. This review process takes account of changing Quaker practices and of wider trends in British society.

Yearly Meeting's financial structures and needs are described in the Appendix 4.

"It is neither possible nor desirable for every Friend to take a detailed interest in the work of every committee. We are, however, called to a broad sympathy with and understanding of the extent of the work entrusted to the committees and departments under the guidance of Meeting for Sufferings in the name of the whole yearly meeting."

Quaker Faith & Practice, 8.22

The proportions of giving: BYM, AM, LM

Friends' giving to Quaker work will be in direct response to a sense of identifying with it or an active involvement in doing it. They need to be informed and their interest aroused. There will be times when the priority in giving is to local needs and other times when, because all is well locally or the Meeting is well off, Friends should be encouraged to focus much more freely on wider horizons. As a rule of thumb that Yearly Meeting has suggested, Friends could be encouraged to apportion a half of their Quaker giving to Yearly Meeting; a third to a combination of LM/AM/GM, and the remaining sixth to other Quaker funds.

At an Area and Local meeting level most Friends will receive an appeal letter that will list significant needs.

The needs of Yearly Meeting

What of the work undertaken under the auspices of the Yearly Meeting, mentioned briefly in Appendix 4? Information about this work is in the following.

- *Quaker Work*, the annual report of Meeting for Sufferings and its Committees, is published each year prior to Yearly Meeting and incorporated in Yearly Meeting Proceedings. Not many will be familiar with it or regard it as bedside reading! However, treasurers should know it well enough to point contributors in the right direction. It is hoped that every Meeting will have each year's copy of *Quaker Work* in the library.

- The *Britain Yearly Meeting Annual Report and Accounts* is circulated to clerks and treasurers and freely available from Quaker Communications Department at Friends House.
- These are supplemented by *Quaker News*, the quarterly BYM newsletter, which provides a regular update on the progress of work being undertaken by the central departments. Copies are sent to every Meeting.

From time to time appeals may be received requesting money for particular aspects of Yearly Meeting work. The subject of earmarking may therefore arise. Understandably, there are Friends who wish some or all of their contribution to go to work in which they have particular interest. BYM is meticulous about using ear-marked donations only for the work intended. However, when it carefully discerns that it is right to commit a fund to a programme of work BYM aims to pay for the work with a combination of earmarked donations, regular donations and other income. Contributors should not expect that because they gave £25 to a project, that project will be fully funded out of some central crock of gold and will enjoy their £25 *in addition*.

Area Meeting and local Meetings

Many Friends primarily support their own 'Sunday' Meeting and then to give to Area and Yearly Meeting according to their personal circumstances. However, there is great variation in the resources of different Meetings, and a build-up of reserves at either local or Area Meeting level might be hard to defend at times when BYM is hard pressed.

As treasurer / collector, you will need to understand your own Meeting, its resources, what its activities and responsibilities are and how it can best be supported. It is important to be able to describe the financial situation to the Meeting and to help Friends appreciate the unity of their local and wider giving.

Other Quaker organisations

There are a number of Quaker organisations, listed at the end of Chapter 15, which are not financed by the Yearly Meeting Fund. They look directly to individuals, Meetings, and other sources for their support. They may often send appeals for funds to the treasurer or clerk. The Meeting needs to have a policy as to whether and how such appeals are brought to the attention of individuals and to the Meeting.

9.3 Voluntary income: mechanisms and tax-efficiency

Giving should be made easy if not painless! Encourage all to give by the means most suited to their needs. The emphasis should be on flexibility because circumstances differ greatly and it is important to ensure that all can contribute by a means of their choice. Many options are available, for example: cash, cheque, standing order, payroll giving (Give As You Earn), charity voucher, gift aid. Money may be given by collections at Meetings, by annual payment or by regular instalments to the treasurer or collector, by being sent direct to the beneficiary or by some combination of these methods. Try to accommodate these diverse needs.

For practical advice on the how to enter and follow up these various contributions, see section 5.11 'Handling contributions & collections', and also 5.12 'Handling tax-effective contributions'.

Cash collections

Some Friends may wish to keep things separate and flexible, preferring to have a personal collecting box or to use those in the meeting house – perhaps with the discipline of an envelope system. (Remember to label these clearly, indicating to whom the proceeds should be sent.) Giving envelopes are available from Church Finance Supplies, see list of Useful addresses at the end of Chapter 15. The advantage of giving envelopes is that they turn an otherwise unidentifiable collection into a named contribution, allowing tax on the donation to be reclaimed.

Legacies

All Friends should carefully consider making a bequest to the Society in their will. It is also possible that some members and attenders with limited income or heavy commitments may feel unable to make a regular contribution out of current resources, but they would be willing to provide for the Society's work in the future by means of a legacy. Such legacies have the benefit of freedom from Inheritance Tax, which formerly affected only the wealthy but is now far more generally felt. Friends may be further encouraged to leave such a legacy by the government's announcement in 2011 that, for deaths occurring on or after 06/04/2012, a new rate of tax of 36% (instead of 40%) will apply in cases where 10% or more of the deceased's net estate is left to charity. 'Net estate' for this purpose will be the value of the estate over the threshold (currently £325,000) after deducting all inheritance tax exemptions, reliefs and the nil rate band. There are various exemptions and different kinds of relief for business assets and other types of property. More information can be found at www.direct.gov.uk (search for "inheritance tax"). A professional advisor such as an accountant or solicitor will be able to give Friends advice tailored to their circumstances.

i **Bequests are made to Friends Trusts Ltd**

Bequests should be made to Friends Trusts Ltd with a clear indication as to whether they are for the work generally, or earmarked for a particular purpose. A booklet is available from Quaker Communications Department giving advice on the wording for legacies to the Society, see www.quaker.org.uk/legacy. Suggested wording is as follows.

i **Bequest to Britain Yearly Meeting for General funds**

"I give free of taxes as a charitable bequest [either a specific sum or a proportion of the residuary estate] to Friends Trusts Limited, Room SN3, Friends House, 173 Euston Road, London NW1 2BJ, Registered Charity No 237698 to be used as to both capital and income for the general purposes of the Yearly Meeting of the Religious Society of Friends (Quakers) in Britain. I direct that the receipt of the Finance Secretary for the time being or other duly authorised officer shall be a full discharge to my executors."

i **Bequest to Britain Yearly Meeting for a specific area of work**

"I give free of taxes as a charitable bequest (either a specific sum or a proportion of the residuary estate) to Friends Trusts Limited, Room SN3, Friends House, 173 Euston Road, London NW1 2BJ, Registered Charity No 237698 for the Yearly Meeting of the Religious Society of Friends (Quakers) in Britain with the wish but without creating a binding obligation that it be used as to both capital and income for work in (name of place or name of project or kind of work). I direct that the receipt of the Finance Secretary for the time being or other duly authorised officer shall be a full discharge to my executors."

Tax-effective giving

The UK government has established methods of giving to recognized charities that are known as 'tax-effective' or 'tax-advantaged' whereby there can be a tax advantage. These significantly enhance the value of the gift to the charity. In certain cases there is also a benefit directly to the donor. The practical handling of the following methods is in section 5.12 'Handling tax-effective contributions'. Be aware, however, that some Friends may be opposed even to this legal diversion of tax revenues from public spending into use by the Society. The main methods are:

- Charity vouchers
- Payroll giving (Give As You Earn)
- Gift Aid

9.4 Voluntary income: explaining the needs

As soon as the annual contribution request is available*, distribute a copy to each member and regular attender. This sets out the financial position of the BYM central funds and their needs for the forthcoming year. With it send a letter that summarizes the financial needs of your own Local and Area Meetings for the year, as established in the budgets (see Chapter 8). It may also invite contributions for any other causes with which the Meeting is closely associated – but see 'Whose collector am I?' below.

Encourage Friends to return their schedules quickly. The habit of contributing late in the year is always a worry. They may choose to make all their contributions through their local treasurer / collector, who processes the schedules and passes money on to the various recipients. Others may prefer to send their BYM Fund contributions direct to Friends House, so that only contributions relating to the LM and AM and to local causes are received locally.

* To be sure of having your copies on time, respond to the letter sent to treasurers by Quaker Communications in October/November of the previous year – and make sure they always know about changes of treasurer! Tell them how many copies you need, and the delivery address

Circulation, and follow-up

The basis of the circulation should be the currently listed members and attenders but check, perhaps with the convenor of overseers, that this list is up-to-date and that there are no individuals whom it would be inappropriate to approach at this time. If possible, send reminders after about three or four months to those members and attenders who have not responded (again, check with overseers in case there is some personal reason for the delay). Remember however, that contributions to BYM may have been sent directly to Friends House without the treasurer's or collector's knowledge: word reminders to allow for this possibility.

Whose collector am I?

Treasurers or collectors have quite enough work to do without having to add the burden, described in section 5.12 under 'Gift Aid – Dividing contributions between different recipients', of recovering Gift Aid legally on behalf of other charities. This can be particularly unrewarding when the amounts involved are small, e.g. a few pounds a month in favour of each of several Quaker charities. Since there is no lower limit on gifts for which Gift Aid can be recovered, Friends can better donate directly to such charities. The recipients can easily recover the tax and will receive the money sooner than if it has to pass first through the mill of a Local Meeting or AM treasurer's system. You would accordingly be well advised to explain in any appeal letter that you are collecting only on behalf of the Religious Society of Friends (Quakers) in Britain.

9.5 Voluntary income: special appeals and 'fund-raising'

For the local meeting

The meetings that have needed major repairs or reconstruction of their premises will have experienced the launching of a special appeal. Although the treasurer will inevitably be involved, s/he does not have to be the Friend in charge of the process. Communication skills including the wording and layout of leaflets, writing of letters and even making telephone calls – chatting with supporters of the meeting who are no longer in the area – can all contribute to success.

Factors to bear in mind include:

- keeping down the costs – and the appearance of cost – in the appeal documents;
- ensuring that the wording of the appeal allows for the possibility of over-subscription, i.e. includes wording that will obviate your having to return some donations or a proportion of all of them in the event of more money being collected than the primary object actually needs;

- keeping careful track of donors, thanking them promptly and informing them of the outcome;
- careful bookkeeping so that the appeal funds are kept separate from others, usually as a restricted fund.

A Handbook for the Care of Meeting Houses includes a long section on organising appeals.

For Quaker work through BYM

Just as individuals are expected to support all levels of Quaker work appropriately, so are our Meetings. Area and Local Meetings should review from time to time the priority of use of all funds at their disposal. Sometimes it will be appropriate to forward to Yearly Meeting as much as can be made available.

In order to extend its witness in the world, a meeting may decide to adopt one of BYM's special concerns, e.g. 'Building peace in the Post-Yugoslavia countries', 'Standing alongside civilians in Israel-Palestine', 'Building non-violent networks' or 'Quakers working for peace in northern Uganda'. Quaker Communications Department can provide materials and advice*.

* 'And now for the good news' in *Treasurers' News 7* shows how one LM managed successful fundraising.

i *Special fund-raising, for BYM and locally*

Examples that come to mind are: sales, concerts, even market stalls for Quaker work! These are activities in which the raising of funds and the raising of consciousness about Quakerism and its current concern cannot be separated. Happily it isn't the treasurer's task to organize such events, but you may well be in a position to provide details about the eventual beneficiary, as well as to bank the proceeds afterwards! Quaker Communications Department can advise on appropriate books to borrow from the library or to buy and about sources of training. Note that this is trading – see section 9.7.

9.6 Activity-generated income: hirings

It is important that the meeting should think carefully about its policy on hirings so that it is neither indiscriminately overgenerous to its hirers nor inconsistent in its treatment of them.

A primary point is that charges for hiring should generally at least cover its costs, including support costs, and preferably return a profit. A commercial outlook is necessary to ensure that the price charged is not out of line with comparable venues in the area. Unless services are offered, the income is technically investment income but it is best kept separate from *lettings*.

When it comes to charging concessionary rates or nothing at all, remember that charities are legally permitted to use their resources only towards the achievement of their listed objects, which must all be charitable. If a hiring fails to cover the full costs associated with the use of the building then the meeting is in effect making a gift to the hirer. Where the hirer's purposes are covered by those of the meeting, e.g. a peace group hiring for a lecture, this may not transgress the law but it is a good idea to make the donation explicit to members of the meeting. One way in which this may be done is that, rather than say to the hirer 'You can have the use without charge' you say 'Our charge will be £X for the evening and we shall make a donation from our funds to you of £Y.' The latter sum may even equal the former, where free use is desired, but the meeting will have had the opportunity to decide how much it is giving to this peace group as compared with its generosity by direct donations to, say, BYM or other Quaker causes.

When it comes to political parties, Quakers are more in sympathy with some than with others. Some meetings, to be on the safe side, have a policy of hiring to none. Others, more pragmatic, consider whether or not the event is broadly consistent with Quaker testimonies and decide accordingly. This is further discussed in section 13.2 under 'Hirings policy and race'.

9.7 Activity-generated income: sales and trading

Very often the word 'charity' is associated with jumble sales, bazaars and shops. When a charity sells goods or services it is trading. It is important to be aware of the permissible limits of

this activity. This can be found in the Charity Commission's publication CC35 – *Trustees, trading and tax* and HMRC's detailed guidance notes for charities, annex IV, *Charities – Trading and business activities*. The issues relate to what charities are permitted to do, what is trading and what is taxable.

Understand first what is **primary purpose trading***, e.g. our sales of *Quaker Faith & Practice* or Woodbrooke's charging for courses. **Non-primary purpose trading*** is nearly anything else, including the sale by Quakers of non-Quaker books, even on peace and reconciliation, as well as cards, posters, etc. For most meetings the **small trading exemption*** should easily cover sales. If the gross sales exceed that exemption, tax may be payable. Consider this possibility before engaging in major trade, e.g. opening a shop, offering teas to the public or services such as catering to hirers.

* These terms are defined in the glossary, chapter 15.

9.8 Investment income

The heading is included here for completeness – to direct you to Chapter 12 Investment.

9.9 Why treasurers and collectors matter

How we use our money is no more or less important than how we use our time in fulfilling God's purposes for us. Meetings appointing treasurers should ensure that they understand the financial needs of Britain Yearly Meeting. Meetings, particularly larger ones, may appoint two Friends, one as treasurer to manage the finances and draw up the accounts, and one as collector to encourage and advise members and attenders in their giving. These two roles are described in Chapter 2, 'Being a treasurer or collector'.

Treasurers may resist being labelled 'fund-raisers' but they are the most important link between members and attenders and the various bodies needing financial support. In seeking to fulfil this objective, the role of treasurers is vital and is greatly valued.

In this they have the support of the Quaker Communications Department in Friends House. A Treasurer's pack containing a copy of the BYM Annual Report and Accounts, *Treasurers' News*, Treasurer's Guide, Payroll Giving, Quaker Witness and other useful leaflets is available from Quaker Communications Department. Questions about or comments on central fund-raising and communication are encouraged, and should be addressed to the staff or committee of that department. Treasurers should also bear in mind that personal contact is usually preferable to paper as it provides an opportunity for a working relationship, with the possibility of learning from one another.

"We hope Friends will not be put off by the concept of 'fund-raising'. It is not the activity which is objectionable but the way it is sometimes carried out. The true objective is to give a service appropriate to the needs of each contributor, such that will enable him or her to give in an informed and concerned way. Only in that way can we hope to harmonize our individual judgements about giving with the Society's corporate decisions concerning the work done in fulfilment of its religious witness."

'Financing the Society's Work', YM Proceedings 1986 (p79)

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10 Expenses and grants

10.1 Expenses of officers and committees

It has always been recognized that anyone appointed to an office or as a representative to attend a meeting or conference should claim back the expenses from the appointing Meeting. Before an appointment is made, the Meeting should provide guidance on what expenses it expects to pay. Similarly, Friends appointed to serve their own Meeting as, for example, clerks, trustees, treasurers, elders, overseers, convenors and members of committees, should be reimbursed for all expenses incurred in fulfilling that service.*

* Almost all these expenses are related to our religious work and are therefore 'directly charitable'. See the book-keeping section 5.9, 'Friends' expenses are not administration'.

Expenses would include the cost of travel, whether by public transport or car. If the latter, reimbursement should cover at least the cost of petrol, tyres and servicing; or the Meeting could decide to pay a standard mileage rate, or the equivalent of the public transport fare. Normally, expenses would also extend to all other costs wholly and necessarily incurred on behalf of the Meeting. When these are conference fees and accommodation charges, it is often more convenient and helpful if they can be paid directly by the treasurer.

Meeting for Sufferings and central committees

The expenses of representatives to Meeting for Sufferings can be claimed from the Recording Clerks Office. The expenses of Friends serving on central and standing committees will be reimbursed to them directly by the department concerned, and the Friend should be sure to obtain a claim form when attending.

10.2 Expense claims

Nominations committees need to inform those they approach for nomination that any expenses incurred on Quaker business will be reimbursed. It will be helpful for the treasurer to produce claim forms to hand to each Friend at the beginning of their term of service. Individual Friends can then make their private decisions about claiming. The minutes of appointment should be copied to the treasurer as they give the authority to meet claims for expenses.

Recording both the expenses and the generosity of Friends

In order to know the true cost of such activities on behalf of the Meeting, Friends should be actively encouraged to claim reimbursement of their expenses in full, so that the expenditure is recorded in the cash book. If the Friend then wishes to give all or part of the cost back to the Meeting, this must be done as a separate donation (with Gift Aid if applicable), recorded as income. The two actual transactions then record both the costs and the Friend's generosity.

Expense claims should include brief details of the nature (e.g. postage, photocopying, coffee, cleaning materials, etc)* and purpose (e.g. newsletter, oversight, etc) as well as, of course, the amount. Claims should normally be supported by vouchers or receipts. The clerk and treasurer should also bear in mind that some Friends may not be able to finance the cost of travel unless they receive the expenses in advance.

* Friends who incur expenditure regularly, such as postage stamps (obtaining receipts) or phone calls (with an itemized record of calls) can keep a record in a small notebook.

10.3 Grants and bursaries to attend Meeting

Quaker Faith & Practice 12.13(n) advises that one of the responsibilities of overseers is "to ensure that financial help is available, where this is needed, to enable Friends to attend meetings for church affairs and to accept appointments connected therewith". Rather than having to ask for it, Friends should be *offered* this help if they might need it to attend Area, General or Yearly Meeting, or other events arranged for the membership. They can be given suitable application forms, to include details of the event, the total cost of attendance and the amount of assistance requested. If the need is frequent, they could have a supply of forms, to reduce the need to ask. These can be most simply returned directly to the treasurer, or through an overseer.

Grants and bursaries from local sources can often be supplemented from funds available nationally or regionally. The treasurer should maintain a record of such sources of help,* and make sure that clerks and overseers know about it.

* A list of Quaker grant-making trusts can be obtained from the Quaker Communications Department at Friends House.

10.4 Financial help for Friends in need

Some Meetings have funds specifically for the provision of financial assistance to members and/or attenders in need. In any case, it is recommended that every Meeting budgets an appropriate amount for such help each year. Grants can be disbursed at the discretion of overseers or of a small group appointed for the purpose by the Meeting. As in the previous section, the treasurer should also be aware of central funds available for Friends in need, and actively advise both overseers and individuals.

Section 14.5, 'Right use of the Meetings funds: Support for individual Friends' has further guidance. The information in 15.4, 'What makes a trust charitable: Relief of poverty and public funds', about the use of charitable funds as a substitute for statutory benefits, is also relevant.

10.5 Contributions from Meetings to Yearly Meeting

Just as individuals are expected to support all levels of Quaker work appropriately, so are our Meetings. Area and Local Meetings should review from time to time the priority of use of all funds at their disposal. Sometimes there will be good reason for concentrating resources locally, for example to establish a new meeting house. At other times it will be appropriate to forward to Yearly Meeting as much as can be made available. Some Meetings or individual Friends will also want to take a special interest in particular aspects of Yearly Meeting work and arrange a local appeal or fund-raising activity.

i *Special fund-raising, for BYM and locally*

Sales, concerts or market stalls in support of Quaker work raise both money and consciousness about Quakerism and its current concern. Happily it isn't the treasurer's task to organize such events, but you may well be in a position to provide details about the eventual beneficiary, as well as to bank the proceeds afterwards! Quaker Communications Department can advise on fund raising if your Meeting needs any help. You would, however, be involved in any local appeal for large sums needed for repair projects. 'A Handbook for the Care of Meeting Houses' includes a long section on organising appeals.

11 Insurance

The best place to start with insurance is the professional advice of a broker. Local brokers will be listed in Yellow Pages. A brief list of national brokers known to, but not necessarily recommended by, Quaker Finance and Property (QFaP) can be obtained from Friends House but QFaP cannot give advice on particular brokers or policies.

11.1 Responsibility for insurance

Every Area Meeting needs someone to ensure that both losses from lack of insurance and unnecessary expenditure are avoided. The person doesn't need to be a treasurer. Some knowledge of insurance is obviously helpful but not essential, most insurance companies go to considerable efforts to use plain English in policy documents. The main qualities needed are common sense, persistence and attention to detail. However, the assistance of a Friend in each local Meeting who holds a similar responsibility is necessary.

In these notes, the Friend responsible for insurance is referred to as the Insurance Officer. He or she needs to be supported by a Friend in each of the local Meetings who is alert to insurance risks and is able to assist the Insurance Officer with claims and other such matters.

11.2 Insurance brokers and insurance companies

The Area Meeting should appoint a firm of insurance brokers to advise on the whole spectrum of its insurance needs, and to arrange cover in consultation with the Insurance Officer. Insurance of meeting houses, like churches, can involve problems that don't arise in ordinary commercial insurance. It is best to use a firm that is known to specialize in this field, and is also a member of the Institute of Insurance Brokers (IIB) or the British Insurance and Investment Brokers Association (BIIBA).

Choosing an insurance broker

You should approach several brokers before choosing one. You should ask about their experience of church insurance, and whether their staff are ACII or FCII qualified (denoting membership of the Chartered Insurance Institute). Brokers should be reviewed every five years or so.

Premiums

Insurance companies charge premiums on their policies. When comparing premiums, ask about discounts for long-term agreements (usually for three to five years). However, small savings on premiums are not worth the loss of good service.

11.3 The basic principles

Make sure that *all risks with large financial consequences are covered no matter how remote they seem*; if the risks are slight it will not cost much to insure against them.

Insurance premiums reflect the administrative costs of dealing with claims, and it is an advantage for the Meeting *to bear the risk of small claims itself*. This is usually arranged by agreeing to an 'excess' by which the Meeting pays an agreed amount (on each claim), and the insurer only meets the excess of a claim over that amount. The Insurance Officer will need to assess the likelihood of claims against the saving in premium offered if an excess is agreed.

Insurance is a contract of 'utmost good faith' and the insurer is entitled to repudiate claims *if the insured has not fully disclosed all the facts needed to assess the risk*.

All the interested parties should be named in the policy. For example, the policy should name the Area Meeting and all the constituent Meetings, and Friends Trusts Ltd if it is the custodian trustee of insured property. It may also be necessary to name other interests such as those of a tenant or landlord.

Do not skimp on the sums insured. If the amount of cover is less than the full cost of replacement, then the amount payable on any claim will be proportionately reduced. In order to ensure that cover keeps pace with inflation, the sums insured should be automatically increased by a suitable index, such as that published by the Royal Institute of Chartered Surveyors. The annual demand for payment should be checked to see that cover has been increased as required.

Maintain records of what is insured and keep them at premises other than those covered by the insurance.

11.4 The risks to be covered

Buildings and contents. The risks are much the same as for any domestic property. Some insurers will cover a selection of risks at different premium rates whilst others offer a package covering all or most of the usual risks.

Consequential loss. If there is likely to be a loss of income or additional costs (such as providing alternative accommodation for wardens) when a building, or part of it, is out of use due to a fire, etc, then insurance may be required.

Employers liability. It is compulsory for the Meeting to insure the legal liability to its employees for injury, death or disease arising out of the employment. The insurer will provide a certificate which has to be displayed at each of the premises that are covered. It is desirable to extend this cover to voluntary helpers, especially those engaged in 'riskier' activities such as building repairs and young people's outings. Note that certificates need to be kept for 40 years.

Public liability. This is to meet claims from third parties in respect of injury, death or disease, or loss or damage to their property, for which the Meeting is held responsible. For legal liability to arise there has to be negligence or wrong doing of some kind on behalf of the Meeting, whether occurring on or off Quaker premises. As members of the Meeting are 'the insured' they cannot normally claim under this policy and if provision for this is required the policy should include what are known as 'member to member' or 'cross liability' clauses. It is important that the policy covers claims against volunteers working with children and young people, and events such as taking children on outings, to camps, etc.

Personal accident. The Meeting may wish to consider providing cover for accidents which involve no legal liability but which take place on Quaker premises or while engaged on Quaker activities.

Trustee liability. The Meeting may wish to insure against the liability of trustees. Though such indemnity insurance may be considered to be a benefit to trustees, it is under the Charities Act 2011, section 189, permissible unless specifically prohibited in the governing document of the charity. However, it is not necessarily good value – unless incorporated in a scheme of comprehensive insurance like that negotiated by Friends House on behalf of Area Meetings.

Motor contingent liability. The Meeting should ensure that its public liability policy covers claims arising out of the use of private vehicles in connection with Quaker affairs. Failing this, separate cover should be arranged.

Loss of money. Contents insurance is not usually adequate for this purpose. If there is sufficient risk, then separate cover should be obtained.

11.5 Identifying needs

Insurance brokers should bring to the attention of the Meeting all the risks against which they would be wise to insure. They should also satisfy themselves that the detailed conditions of any policy are suitable to the needs of the Meeting. Nonetheless, the brokers can best fulfil their responsibility if the Insurance Officer is alert to and keeps the brokers informed about all relevant circumstances. Some that may require special consideration are as follows:

Loss or damage to contents may only be covered while they are on the premises, and some extension could be necessary if items are used away from the meeting house (e.g. at camp).

Building contracts usually require the client to take out specific insurance for the duration of the work.

When *purchasing or selling property* cover should be arranged, or maintained, throughout the period of negotiation.

If the meeting house is rented, detailed attention must be paid to the terms of the lease and the insurance obligations of both landlord and tenant.

All insurance policies should be examined to *ensure that the definitions of risks and exclusions are not unduly restrictive*. In some cases it may be worth negotiating changes to the standard policy and, if necessary, paying an extra premium to obtain some additional cover.

Whenever there is a change of circumstances that might affect the risks insured, this must be disclosed to the insurer. Quite apart from the insurer's requirement for full disclosure, our own testimony to honest and fair dealing makes it a necessity. Advice can usually be obtained from the broker or the insurer by telephone, but disclosure should be made even in cases where you are in doubt as to whether it is needed, and should always be put in writing and checked. Keeping this under review can call for an imaginative approach; some examples to bear in mind are:

- Camps and other outdoor activities, especially those involving children and young people
- Use of private vehicles to transport Friends on Quaker outings
- Storage of paper or other 'flammable material' for recycling
- Handling merchandise on a sale or return basis

11.6 The basis on which claims are met

The basic principle of insurance is to put the insured, so far as possible, into the same position as if the loss or damage had not occurred. The usual arrangement for buildings and most contents is for reinstatement to be on the 'new for old' basis. If the meeting house is completely destroyed (and fully insured) the insurance company will meet the cost of erecting a new one to an equivalent standard. Similarly, if contents are lost or damaged they can, with certain exceptions, be replaced by new items.*

As premiums are related to the sum insured, it follows that claims will only be met in full if property is insured for its full value. At the end of the day the responsibility for maintaining adequate cover and keeping abreast of changing needs will fall upon the Meeting.

* It is also possible to insure on an indemnity ('old for old') or on a 'first loss' basis but these are not usually appropriate for a Meeting and should only be undertaken with specialist advice.

Estimating the value

The estimation of 'full value' cannot normally be precise, and some policies specify that limitation of claims only comes into effect if the sum insured proves to be less than a specified percentage of the actual cost, usually around 85%. Furthermore, some insurers will undertake not to limit claims because of under-insurance, provided they have agreed to the initial sum as representing full value, and thereafter the sum insured is amended annually by an appropriate index. Note that insurance values, market values and balance sheet values may differ.

Using a surveyor or valuer

It may be necessary to obtain a professional valuation, and in this case it is helpful to use a surveyor or valuer approved by the insurer or broker. Contents insurance normally limits the amount that can be claimed for any one item, and anything exceptional may need to be professionally valued and noted on the policy. Some insurers may themselves automatically survey and re-value at intervals, which ensures that valuations are up to date. However, Meetings may prefer an independent opinion.

Assessing public liability cover

Assessing the cover for public liability is a different matter and is not much affected by the circumstances of the Meeting. Settling or even defending such claims can be very costly, and cover of at least £5-million is desirable at this time (2006). As the incidence of claims is relatively low this is reflected in the premiums, which are generally quite reasonable.

Cover for consequential loss of income

The amount that is suitable for consequential loss of income and for increased costs will vary greatly and can only be estimated on a Meeting by Meeting basis. It is usual to assume that a claim may be necessary for a period of two to three years during which there will be no income from hirings and for the additional costs of renting alternative premises for use by the Meeting. The policy may state a limit to this cover, sometimes a percentage of the buildings sum insured, and it will be necessary to check whether this is adequate, including a suitable allowance for inflation during the rebuilding period. If not, then an increase should be negotiated.

11.7 Taking care

Many insurers give advice about *precautions to minimize risk*, and these should be brought to the attention of the Meeting. Sometimes the insurers will make specific suggestions or even impose requirements*, and the Insurance Officer should ensure that they are acted upon.

Proper *supervision of activities for children and young people* is very important and requires constant attention. Good advice is to be found in the Quaker Life publication 'Meeting Safety'.

Accidents in or around the meeting house can be prevented or minimized by regular inspection of the premises and making sure that all defects are remedied promptly. There are legal requirements for the maintenance of *gas appliances*, and failure to comply with these or to provide adequate fire precautions could invalidate the insurance.

If the Meeting is the *landlord of furnished property* it will need to ensure that all furniture and furnishings comply with the Safety Regulations.

A *different type of precaution* consists of maintaining records that will support and speed up the process of making claims. These should be kept away from the insured premises and could include:

- Policy documents
- Plans and specifications of buildings and appliances
- Inventories of furniture, fittings and equipment
- Surveys and valuations

* For example, some insurers limit cover for theft of lead and the consequent damage and stipulate precautions to be taken (see *Treasurers' News* 14).

Friends should be encouraged to check that their own personal or household insurance provides adequate cover for public liability. They should also ensure that their motor insurance covers them for use in connection with Quaker events and activities.

11.8 Claims

All incidents that could result in a claim should be reported in writing to the brokers, or the insurers themselves, as soon as possible after the event. The Insurance Officer and the contact person in each Meeting should be aware of the procedure to be followed. This applies even though it may seem that a claim is very unlikely where a third party or possible injury are involved: an injury may not be immediately apparent, or the third parties might change their minds about whether they will claim.

Details will be required of

- the time and cause of the loss or damage
- the circumstances of discovery
- the sequence of events

When it becomes clear that a claim must be made, complete the appropriate form and submit it together with an estimate of the likely cost. Seek advice from the broker or the insurer as to whether one or more quotations are required. If necessary, emergency repairs, etc, should be put in hand immediately, and approval then obtained from the insurers.

Prompt action is also required *when a claim is made against the Meeting* by a third party (which should be covered by one of the liability policies). Acknowledge any such claim without any admission or repudiation of fault or liability, and forward it to the brokers together with any information that the Meeting can provide.

For any incident involving the police or fire service, obtain and record the identity of the officer in charge. In the case of major loss, damage or injury there should be an early meeting on site with a representative of the insurance company and, if the premises are affected, with the building surveyor acting for the Meeting.

You should check with your insurers or insurance advisor when considering whether or not to make a claim for a relatively small amount. You should consider the effect on any no claim bonus that may apply to your policy, and not just the excess (usually £50 or £100). See page 4 of *Treasurers' News* 12.

The role of a loss adjuster

A claim for a significant amount is likely to be evaluated by a loss adjuster. The adjuster is appointed and paid by the insurer but is an independent professional whose duty is to act impartially. The Meeting's representative will be asked to agree to the assessment by the loss adjuster, and the signed agreement form and report will provide the basis for settlement by the insurer. If the Meeting's Insurance Officer is not satisfied with the assessment and is unable to resolve the difference with the adjuster directly, it will be necessary to involve the broker or other professional help.

11.9 Finally – why it matters

For most people, looking after insurance is something to be endured rather than enjoyed. But remember that its purpose is to ensure that our meeting houses and other assets continue to be available to the Meeting. It also protects us against the possibility of losses which, if not properly insured, could seriously denude our funds and become a burden on the membership.

Further reading:

Charity Commission leaflet CC49, Charities and Insurance, May 2011

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12 Investment

12.1 The legal requirements

All Meetings that have investments are governed by the Trustee Act 2000 and the associated regulations. These set out the investment powers of trustees and specify when and in what way trustees must take proper advice about their investments. Treasurers may find that the Meeting assumes that they will determine investment strategy on their own – but remember that it is the duty of the *trustees* to monitor investments and to ensure that adequate advice is obtained. Making suitable reports and consulting the Meeting from time to time will protect you from criticism, ensure that you convey the trustees' intentions and decisions, and also help to involve Friends in the financial process.

* Full information and guidance on the legal requirements is given in the leaflets published by the Charity Commission (see Section 12.7)

The main change introduced in the Trustee Act 2000 was to remove the previous restrictions and to provide trustees with a general power of investment except in cases where the governing document of a charity limits the type of investment that can be undertaken. The general power allows trustees to invest trust funds in any type of investment in which they could invest if they were the absolute owner of those funds.

As our Meetings tend not to have trust deeds with specific restrictions on investment they will normally be entitled to use the general power and not be required to invest any predetermined proportion of their funds in any particular type of investment, such as equities or fixed interest stocks. Investment decisions by the trustees should be taken with reference to their statutory duty of care for the funds under their control and to the purposes for which those funds are held.

In using their powers of investment trustees must:

- have regard to the suitability of any specific investment and the need for diversification
- review the investments from time to time
- obtain and consider proper advice before making decisions

Proper advice is that obtained from a person who is reasonably believed by the trustees to be qualified by ability or experience in matters relating to investment. The degree of expertise required will depend, in part, on the size of the investment and whether it is in a managed fund such as a unit trust. For large funds this may entail the services of a professional adviser but advice could be given by a fellow trustee or other person with relevant experience.

Factors to consider in relation to the suitability of an investment include the proportion of funds in different classes of investment, the overall level of risk, the relative needs for income and capital growth, adherence to the ethical policy of the Meeting and, for permanent endowment, the need to balance the interests of the present and future beneficiaries.

It is good practice for Meetings to adopt a formal written Investment Policy that sets out the investment strategy and any ethical or other investment constraints. This will then provide general guidance to those involved with making decisions, particularly when office-holders or professional advisors change.

12.2 Types of investment

Shares or 'equities'

When first issued, these are a way of providing capital for a company that does not oblige it to make any payment to the investor unless it makes an adequate profit. In return for sharing the risk of the business the investor gets, on average, a higher return* than with other types of investment. However, most dealing on the Stock Exchange is in 'second hand' shares. This enables the previous owners of shares to get their money back without the company having to find it and thus to put their activities

* 'Return' is defined as gross income plus or minus fluctuations in capital value, and with no allowance for the expenses of investment or its management

in jeopardy. Whether the seller gains or loses on the capital originally invested, and whether that takes care of inflation during the period of ownership, depends on the demand for those shares (their market value) at the time of the sale.

Fixed interest stocks/Corporate Bonds

Much the largest value of stocks in issue are those of the *government*, commonly referred to as 'gilt-edged' or 'gilts' to reflect the certainty of repayment at their full face value. Stocks are also issued by *companies* and these, often called corporate bonds, can be 'unsecured loan stocks' or 'debentures'. Most fixed interest stocks are repayable at predetermined dates and, in consequence, their money value at maturity is known with certainty. The price of such stocks reflects the difference between current interest rates and their fixed rate, and their known repayment value becomes more significant as maturity approaches.

Convertible loan or preference stocks

These stocks are a kind of hybrid. At first the holders are only entitled to fixed interest, but they also have the right to convert into shares of the issuing company at times and on terms set in advance. Estimation of their value is a complex matter, as it reflects the benefit to convert and the way that varies over time. This type of stock is particularly useful for a fund where investment in equities is to be maximized. Convertible loan stocks can be purchased and the capital does not have to be reinvested in fixed interest stocks once the conversion to shares has taken place.

Index linked stocks

These are issued by the government and occasionally by others such as building societies. Both the annual interest and the capital value at maturity rise with the Retail Price Index, although increases come to an end some months before the date of maturity. Market values fluctuate (not always as logic might suggest), but the redemption value at maturity is determined by the revaluation formula.

Real property (land and buildings)

The primary income in this category for most Meetings will be the money collected from hiring out the meeting house. This counts as investment income provided that services (e.g. reception, coffee, meals) are not included. Beyond this, direct investment in property requires more active management than stocks and shares and may only be suitable for larger trust funds. However, there may be good reasons for retaining a property acquired by a Meeting if it is producing a satisfactory net income or if it may be required some day for the use of Friends. Investment of endowment funds, where permitted and where the use of the building accords with the objectives of the meeting, may also be feasible – see *Treasurers' News* 8b. Indirect investment is also possible through a unit trust such as The Charities Property Trust but this, too, may be more suitable for larger funds.

Overseas shares

These are similar in principle to shares in UK companies. The advantages argued for them are the opportunity to invest in countries with faster growth economies, and in industries or activities that are not well represented in the UK. The costs of investment overseas tend to be higher and there is an exposure to adverse currency movements. This is not a suitable area for the investment of smaller trust funds.

Unit trusts, OEICs and investment trusts

These are another way to obtain the necessary diversification that it is difficult for smaller funds to achieve through direct investment in stocks and shares. Unit trusts issue units that represent a proportion of a large portfolio managed by the issuing trust. The investor benefits from the income; the units also vary in value according to that of the underlying portfolio and may yield

capital gains. OEICs (open ended investment companies) work similarly but have shares rather than units. Investment trusts are companies that invest in other companies, and its own shares are sold in the stock market. It is not uncommon for the price of these shares to be significantly less than the value of the underlying investments. Unit trusts / OEICs vary in their aims in relation to income and capital growth as well as in their charges, relative performance and observance of ethical criteria. All these factors will have to be considered when investing. While most unit trusts / OEICs are invested in equities or fixed interest, some invest in property (e.g The Charities Property Fund) or other types of asset.

Cash on deposit

Cash is a term used to refer to 'investment' in various types of interest bearing deposits and bonds. These include banks, building societies and National Savings, as well as specialist agencies such as the Charities Official Investment Fund (COIF) and the Charities Aid Foundation (CAF). Their common characteristic is that capital value remains fixed in money terms (and does not keep pace with inflation) and that capital can be repaid at relatively short notice. Generally, higher rates of interest are available for longer notice periods and larger sums deposited. Note also the limits of compensation available outlined on page 29.

12.3 Investment strategy

Clarity about the purposes for which funds are held is essential to the determination of investment strategy. The types of investment that are held, and the balance between investments and cash on deposit, should be appropriate to those purposes and the timing of expenditure. Variations in purpose cover a wide spectrum and the following two examples have been chosen to illustrate extremes of time-scale, which is often the main determining factor.

Example 1: An endowment or similar fund

This is a fund having an indefinite life and with a specific purpose such as providing bursaries, or assistance to Friends in need.

Protecting the income from inflation will be the primary element in strategy and fluctuations in capital value may be relatively unimportant. This makes it necessary to be aware of the historical experience of performance by the different types of investment. It is extremely unlikely that history will repeat itself precisely but, over a long timescale, the continuing social and economic forces are likely to produce similar effects. Investment in real property may be an option (see above).

The effective difference between investment in equities and fixed interest stocks is not surprising bearing in mind the problems of inflation, and that share dividends are generally expected to take it into account whereas the income from fixed interest securities does not. It also has to be borne in mind that charitable funds of this type are virtually unique in having an indefinite time horizon and, in taking such a long term view, their requirements are different from other investors who tend to influence the market.

Example 2: A designated fund being accumulated

This could be, for example, to pay for the extension to a meeting house in two to three years time.

Inflation is not such a problem that it is likely to undermine the whole purpose of the fund, though it remains a consideration. The fortunes of the construction industry will be a significant but highly unpredictable factor. Therefore, there can be no certainty that the sum calculated to be necessary for the project will, even with the addition of interest, be adequate when the time comes to implement it. The dominant consideration in investing the fund will be *to minimize the risk of a shortfall being so great as to make it impossible to proceed*. Given the shorter timescale, the strongest candidates will be fixed interest stocks, deposit accounts and index-linked stocks.

Fixed interest investments

The inter-relationship of returns on the different types of fixed interest investments is complex, but as a broad guide to their relative merits, the following should be favoured:

- Cash on deposit – where the interest rate obtainable is above the current rate of inflation and the latter is not expected to rise substantially, and the interest rate on cash is greater by more than one percentage point than the rate on fixed interest stocks with a three year maturity.
- Index linked stocks – where one exists of roughly the appropriate maturity, where inflation is above 5% and expected to rise, and the quoted yield to maturity based on the most appropriate rate of inflation quoted is above 4%.
- Fixed interest stocks – when cash is ruled out on the above criteria, or inflation is expected to fall and index linked stocks are not attractive.

12.4 Risk

The risk of an investment is usually its volatility - the fact that the value can go down as well as up, particularly in the short term. It is generally considered that the approach to risk should be to select a level of investment risk with which the trustees and Meeting feel comfortable and then to select investments for a portfolio that provide good prospects of returns for that level of risk. However, there are a number of factors that could be considered, including:

- being able to take a long term view, e.g. an endowment fund, means that short term volatility is a much reduced problem as your objective is long term returns that outpace inflation
- in contrast, if you will need access to the capital, particularly in the short to medium term, then risk is an important consideration as you would want to avoid the value being depressed when you need to call on it
- if your objective is growing income that will more than maintain its purchasing power against inflation, then the future income will be more important than the capital value, although income and capital values will not permanently diverge.

Risk can be managed by a portfolio that comprises different types of investment where each one has different risk characteristics that offset each other. In this way, diversification can provide higher prospects of return than a single type of investment, for the same level of risk.

12.5 Ethical and socially responsible investment (SRI)

There has been an increasing focus in recent years on the ethical issues facing investors and the social impact of different investment choices. In the past there have been doubts about whether there may be a breach of trust if charitable funds are invested ethically at the risk of obtaining a lower financial return. It is apparent from the advice given by the Charity Commission that Friends are entitled to avoid investment in companies that offend against our testimonies. It is also demonstrable that ethical investment does not necessarily incur any financial penalty, and there is a growing number of professional investment managers with experience in this field.

Positive discrimination

The Society has long sought to avoid investment in armaments, alcohol, tobacco and gambling, but more recently other concerns have been added to the list. An ethical approach to investment may also seek to discriminate positively in favour of companies adopting high standards in areas such as fair trade, the treatment of employees, attitudes to customers and the impact of their activities on the environment and local community. Investment of the central funds follows the guidelines set down by Meeting for Sufferings, and these are equally applicable to investment by local Meetings (Quaker Faith & Practice 14.18–22).

Influencing companies

Another approach to ethical investment is that of holding shares in order to influence a company towards adopting policies and practices that meet with the approval of Friends. This is

sometimes called Socially Responsible Investment (SRI). It can either be done when shares are held directly or by using a unit trust that explicitly adopts an SRI policy. Such action may require a commitment of time by the treasurer and trustees.

Ethical unit trusts / OEICs

A further method available is investment in one of the many unit trusts / OEICs that now operate according to various ethical and social criteria. Being primarily designed for private investors, these tend to have relatively high initial charges and management costs, but for large sums it may be possible to negotiate a reduction in both charges.

Information from EIRIS

The implementation of an ethical investment policy has been made a good deal easier by the information now available from the Ethical Investment Research Service (EIRIS), which was set up in 1983 with assistance from the Joseph Rowntree Charitable Trust. EIRIS can analyse an existing portfolio according to criteria selected by the Meeting or produce lists of potential investments for consideration. It also produces informative publications of wide interest on this subject.

12.6 Investment management and administration

Effective management of trust funds needs regular monitoring of investments as well as strategic reviews. Even with a very passive investment policy there may be a need to take decisions over such things as rights issues and take-overs. Sudden changes that can affect even very large companies may require quick action in order to protect the interests of a fund. Trustees should consider whether their investments can be adequately managed 'in house' or are better held in unit trusts / OEICs or are of a size to warrant the employment of professional management.

The Trustee Act 2000 provides a general power enabling trustees to delegate management of the charity's investments to a specialist. The rules and advice on this are extensive and include the following key points. The trustees must:

- decide on an investment policy and record it in writing. This policy should include the expected return in terms of income and capital appreciation, the management of risk and the ethical policy adopted.
- consider a number of possible investment managers before making an appointment
- have a written agreement with the investment manager
- issue their investment policy to the manager and ensure that it is observed
- from time to time review the performance of the investment manager

Employing an investment manager

Investment managers may be employed on either:

- a) *'advisory basis' – they should monitor a fund's portfolio on a continuing basis and take the initiative in making recommendations for change, but not implement the necessary action unless the treasurer or trustees confirm their agreement*
- b) *'discretionary basis' – managers will expect to operate as they judge best within a given brief and to report back after taking the necessary action*

The second method is preferred by most professional managers but, if it is used, the trustees must retain overall control of investment strategy and ethical considerations. The degree of service and the extent of tailoring to the often unusual requirements of Quaker funds are variable. It is difficult to obtain individual management for a fund of less than £100,000, and the number of firms able and willing to offer a competent service for funds of less than £250,000 is quite small. Over that amount the choice is much greater. A growing number of managers have experience of managing funds according to ethical criteria, either using information produced by EIRIS or from their own research.

Managers of an individual fund will require a Meeting to enter into a formal agreement that will set out their responsibilities and give the Meeting the opportunity to stipulate which types of investment are to be permitted. These documents need to be read carefully and, in areas where there are no specific legal requirements, are always negotiable. The agreement should provide for regular reports by the manager, say every three or six months, and wherever possible these reports should include a measure of the fund's performance. Performance measurement is available from several independent companies and the cost of this will usually fall on the Meeting.

i **Expenses of professional management**

These usually take the form of an annual fee of 0.5% to 1% of the capital value of the fund, with the addition of dealing costs. This is high and can have a significant impact on the income from a fund, but will be no more expensive than the fees charged by unit trusts / OEICs. For funds smaller than £100,000, common investment funds and unit trusts / OEICs will be the only possibility, at least for investment in shares.

In choosing, it is necessary to examine carefully both the initial and the annual charges and to consider the level of expenses charged to the trust, which can add a substantial amount to the annual costs. Common Investment Funds

(http://www.charitycommission.gov.uk/charity_requirements_guidance/charity_governance/managing_resources/cifs.aspx) and specialist trusts aimed at pension funds and charities (often containing the word "exempt" in their title) will usually be cheaper than those designed primarily for private investors. For the investment of large sums, it may be possible to negotiate a reduction in the normal quoted charges.

Who owns the shares?

As with other property, the legal ownership of shares has to lie with a named individual or an incorporated body, and cannot be held by an unincorporated association such as a Meeting. Where investment managers are appointed, they will usually have their own nominee company which can be used with confidence as a convenient and safe home for investments. In other cases, it is best to use the 'custodian trustee' services of Friends Trusts Ltd, although it should be noted that this service *does not extend to the provision of investment management and advice*. It is possible to register securities in the names of individual trustees, but this has the disadvantages that they have to be re-registered with every change in the trustees and that all trustees have to sign whenever shares are sold.

Keeping an investments record

It is essential that particulars of every restricted (trust) fund and its investments are kept on a file handed from treasurer to treasurer. This should include copies of original documents that explain investment powers, the purposes for which the resources are to be applied and the trustee arrangements. Where there are several small funds or where the origins or purposes are obscure the Charity Commission has been encouraging schemes to consolidate funds or to suspend them altogether.

For guidance on entering investments in the cash book, see section 5.15, 'Investment accounting'. For handling investments in the balance sheet, see 6.8, 'Investments in the Balance Sheet'.

12.7 Useful publications

Charity Commission CC14 'Charities and Investment Matters: A guide for trustees' – readable in html at <http://www.charity-commission.gov.uk/Publications/cc14.aspx> or downloadable in pdf from www.charity-commission.gov.uk/Library/guidance/cc14text.pdf . This is the October 2011 revised version.

Charity Commission Annual Reports. Useful source of information on current developments in practice and law.

Charity Investment - Law and Practice by Fiona Middleton and Andrew Phillips (1988), published by the Charities Aid Foundation. A good and reasonably brief background to the subject.

Investment Policy by Charles D Ellis, pub Dow Jones-Irwin (2nd edn 1992, paperback 1994). A readable and radical review of the subject by an American investment professional, suitable for those wishing to delve more deeply.

Socially Responsible Investment by Sue Ward (1991), pub Directory of Social Change.

A Saver's Guide, by Peter Lang (1996), published by Jon Carpenter at £10 (01608) 811 969. Details about all areas of ethical investment.

NCVO (The National Council for Voluntary Organisations) has much advice on its web site: <http://www.ncvo-vol.org.uk/>

12.8 Relevant organisations

The **Co-operative Bank** has an ethical policy based on organisations that it will not invest in. PO Box 101, 1 Balloon Street, Manchester, M60 4EP. **08457 212 212**. <http://www.co-operativebank.co.uk/>

Triodos Bank was founded in the Netherlands, is regulated by the Dutch central bank, and operates by post from Bristol. It lends only to projects with 'positive' social and/or environmental aims, including a wide range of social housing projects in the UK. Brunel House, 11 The Promenade, Clifton, Bristol BS8 3NN. 0117 973 9339. <http://www.triodos.co.uk/>

The **Ecology Building Society** enables you to support ecological projects while your money is earning interest. Ecology Building Society
7 Belton Road, Silsden, Keighly, West Yorkshire, BD20 0EE 0845 674 5566.
<http://www.ecology.co.uk/>

The Ethical Investment Association (EIA) is an association of financial advisers from around the UK, dedicated to the promotion of green and ethical investment. The website, <http://www.ethicalinvestment.org.uk/>, offers useful resources to financial advisers that may assist them with incorporating green and ethical investment into their advice processes. There is also guidance for the investor (which could be your meeting) on getting started with ethical investment and some of the approaches that may be adopted. A list of over 50 members of the EIA is available for you to find a financial adviser near you or – more importantly – with objectives near to the criteria that you would like to set yourself. Not available, however, is advice on just how you choose your advisor.

Ethical Investment Research Services, EIRIS, provides a newsletter, screens companies against specific ethical criteria and produces approved lists of advisors. 80–84 Bondway, London, SW8 1SF. 020 7840 5700. <http://www.eiris.org/>

Barchester Green Investment, Barchester House, 45/49 Catherine Street, Salisbury, Wiltshire SP1 2DH, (01722) 331 241, info@barchestergreen.co.uk, <http://www.barchestergreen.co.uk/>; the **Ethical Investors Group**, Montpellier House, 47 Rodney Road, Cheltenham GL50 1HX, 1242 539848, <http://www.ethicalinvestors.co.uk/>; and **Investing Ethically Ltd**, Freepost ANG20449, Norwich NR3 1BR, (01603) 661121, <http://www.investing-ethically.co.uk/> are among other companies providing ethical financial advice. Regular information on this issue appears in **The Ethical Consumer** magazine, Unit 21, 41 Old Birley Street, Manchester M15 5RF, (0161) 226 2929, <http://www.ethicalconsumer.org/>.

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13 Property

13.1 Financing repairs and maintenance

The BYM publication 'A Handbook for the Care of Meeting Houses' (1996) provides comprehensive guidance on the practical management of property; the following notes concentrate on the financial aspects of that responsibility. It is available from the BYM web site, www.quaker.org.uk

The *Handbook* points out (101.4) that it is common for 'longer term replacements to be ignored until an emergency occurs and a wider appeal for financial assistance has to be launched'. Treasurers will need to co-operate with the trustees – perhaps through Finance & Property or Premises Committees – to prevent any such 'crisis decisions and major appeals for emergencies which could have been readily foreseen and prepared for.'

Expenditure on repairs and maintenance can vary considerably from year to year. Some work, such as repainting, is required on a cyclical basis. Different parts of a building and its fixtures need replacement at different intervals of time and even with careful planning there is always the possibility of some unexpected and urgent repair. In order to cope with this uneven demand on resources, you should ensure that sufficient money is set aside regularly to meet the costs as they arise. The '*Handbook for the Care of Meeting Houses*' suggests in Appendix A101 (in Part 4 of the PDF set on the BYM web site) an annual input of about 1% of the replacement value of the building into a designated fund that can accumulate interest and the sufficiency of which is kept under review. It also offers a rough guide to the frequency of various maintenance operations for traditionally-constructed buildings.

Care must be taken that all property conforms to nationally or locally required safety standards, e.g. has the appropriate fire safety requirements in place after a risk assessment.

A joint Repair Fund administered by Area Meeting

The cost of property upkeep and the need to set aside adequate funds can usually be managed more equitably and effectively by some pooling of resources. The Area Meeting is the natural grouping for such an arrangement; this gives practical expression to the AM as a community, and enables costs to be shared between Meetings with differing financial resources and meeting houses that are more or less expensive to maintain. A single property fund at AM level can be 'less than the sum of the parts' that would be needed to ensure adequate funds being held separately in each Local Meeting*. It also has the potential for earning higher interest from the larger single balance being held on deposit.

* See *Treasurers' News* 13, p. 2, for the variety of way in which Area Meetings organize their building maintenance.

Managing a joint Repair Fund

Such a fund may be sustained by contributions from members and from the constituent Meetings, which may pass on some of any surplus from hirings or other income arising from the properties concerned. The amount of the fund and the level of contributions from the Meetings will need to reflect the division of expenditure on the properties as between AM (or GM) and the LMs. One practical arrangement is for the LM to meet the cost of routine maintenance and minor repairs whilst AM retains responsibility for major repairs, improvements and new meeting houses.

Good communication between local and AM treasurers, and with all Premises or Finance & Property Committees, is essential to the effective management of a central repair fund. The transfers of funds between the local Meetings and the AM must also be clearly shown in the accounts (See p. 33, 'Transfers within AM'.)

i **Discretionary small repairs**

It is sensible to budget for small repairs and routine maintenance separately from the longer term and cyclical expenditure for which the above fund is necessary. The Premises Committee should be given a budget for the year, which includes a defined spending limit for any single repair. This limit would normally be at a level that doesn't need further authorisation or competitive tendering.

“... think twice before embarking on competitive tendering. If mutual confidence exists prices and standards should be reasonable. Estimating cannot be an exact science. A lesser price might well be obtained from a firm expecting to use cheaper materials or less preparation: the meeting will not be equipped to supervise the work at this level, nor to seek a remedy when the work fails prematurely.” *Handbook on the Care of Meeting Houses, A201*

Quinquennial surveys

“It is now considered essential in church management to commission a professional survey of the premises every five years: a quinquennial survey. This is intended to identify incipient problems before the evidence appears obvious, and while they are relatively cheap to cure ... A professional surveyor will be needed for the building itself ... The fee should be negotiated in advance, preferably for all the buildings in the Area Meeting, and a programme agreed to cover them all in due order. The initial survey may well take longer and thus cost more than subsequent visits.” (*A Handbook for the Care of Meeting Houses*, 105) The need for this practical care reinforces the case for a central Repair Fund managed by the Area Meeting treasurer.

Tenders for large expenditures

Friends involved with expensive projects will need to create or obtain a written specification and then seek estimates from two or more contractors. Contractors should only be asked to quote when Friends expect to employ them if the price and time scale for completion of the work is acceptable. Nevertheless, the lowest tender needn't be accepted automatically, and all the factors should be weighed before a choice is made. For this level of expenditure the final decision should lie with the AM trustees, possibly based on a recommendation from the premises committee.

Fundraising for major work

Even a joint Repair Fund wouldn't usually be maintained at a level high enough to meet the full cost of new meeting houses or major improvements. Such large projects may be supported from the accumulated fund but they would normally also require special fundraising efforts to make sure that they can be finished. The Meeting Houses Fund of Yearly Meeting can usually help, with grants and interest-free loans, but there are also many other sources of funds. Section 304 of *A Handbook for the Care of Meeting Houses* contains essential information and advice on such specific fundraising. A potential source of funding is the Landfill Communities Fund (LCF): details at <http://www.entrust.org.uk/home/lcf>. Normally the work of fundraising should not be added to the treasurer's work, but be done by a Friend who can put a good deal of time into it over a period of twelve to eighteen months. The appeal proceeds must go into a restricted fund (see section 3.5) usable only for the declared purposes of the appeal. The accounts of this fund will need to conform to the practice of the Meeting; the treasurer will probably need to help with this aspect.

VAT on repairs and alterations

VAT forms a significant element in the cost of any building work. There are now only a few concessions available to Meetings, but they should be noted and used. As a general rule:

- VAT at the standard rate is payable on repairs, alterations and improvements carried out by a contractor registered for VAT *except* for the provision of certain facilities for the disabled, when the work will be zero rated. However, the Listed Places of Worship Grant Scheme offers, at least until 2015, a grant equal to some or all the VAT for repairs, maintenance alterations and improvements to listed buildings that are used principally as places of worship. The total available is limited and the terms on which this is offered change from time to time, so see www.lpwscheme.org.uk or phone 0845 601 5945 for details.
- A new meeting house which is physically separate from any existing building is also zero rated.

All these concessions apply to building work and some also to the associated fees for architects and other consultants. In order to establish entitlement to zero rating where it is available, a certificate must be issued to the contractor **before work starts**. * Consult your local HMRC office before any major building works or alterations are undertaken.

* If this rule is broken, you cannot claim. The form of this certificate and other details of the regulations are all explained in the leaflets available from any HMRC office.

13.2 Hirings

Meetings may want their premises to be used for the benefit of the local community when not needed by Friends. If so, it is important to have a *clearly defined hirings policy* to cover such things as availability, charges, conditions of use, and the types of user acceptable to Friends. Ideally, hirers should have their own insurance cover, though meetings may decide that in the case of, say, a recorder group, the risk is minimal. The income can be a useful contribution towards the running costs of the meeting house and, provided the hirings are incidental to the main use as a place of public religious worship, this will not cause a liability to rates.

But Friends should be aware of the real costs to the Meeting when others use the premises, and hiring charges should reflect the longer term wear and tear as well as more immediate items such as heat and light. Unless the activities of the hirer, however worthy, are fulfilling the *charitable purposes of the Meeting itself* there is no justification for subsidising them from our own resources by charging less than an 'economic' rent. Even then it may be better to charge the proper rent but make a counterbalancing donation so that Friends can judge the extent of their generosity.

"Area Meetings are advised to permit and encourage the use of their meeting houses for educational and other suitable purposes which serve the needs of the people living in their neighbourhood. Such users should be expected to make an appropriate financial contribution to the running expenses and upkeep." *Quaker Faith & Practice* 14.27

Hirings policy and race

When making a decision about whom to accept as hirers of the meeting house or other spaces, bear in mind the Race Relations Act. Under this act a refusal to provide (or the less favourable provision of) goods, facilities or services on the grounds of race constitutes direct discrimination. Similar action on the grounds, that someone is, for example, a Muslim can amount to 'indirect discrimination' where this affects some groups more than others, and cannot be justified.

It is lawful of course to ban all social parties, or footwear that would damage a floor, so long as this is applied evenly to everyone. Singling out one ethnic group because of what others in that group may have done is not fair and can lead to substantial damages in court. The Commission for Racial Equality urged all those operating community halls to make it clear that hall bookings are open to all, so long as they meet reasonable conditions which are applied to everyone.

13.3 Wardenship and caretaking

Wardens are well placed to identify and deal with matters relating to the meeting house, including the oversight of hirings and the handling of repairs and maintenance (in conjunction with the Premises Committee). As employees, they cannot be trustees on the Finance &

Property or similar committee, but their occasional input can be very useful. They should be familiar with the hirings policy of their Meeting, and with the methods of handling receipts established by the treasurer. (For details of wardens as employees, see section 14.7).

13.4 Non-domestic rates and council tax

All *non-domestic property* is potentially liable to rates charged by the local authority. However, buildings that are used by a charity for its charitable purposes are exempt, and meeting houses qualify for this exemption. In cases where the meeting house is effectively sub-divided so that part is used by Friends and part is rented out, then only the former will be exempt; the let part will be subject to business rates or council tax (which will usually be paid by the tenants).

All *domestic property* is potentially liable to council tax, which is payable by either the occupants or the owners of the property. There is no exemption for accommodation associated with a meeting house; wardens are classed as residents and as such are liable to pay council tax. Nevertheless, at present (2009) there are several ways in which the council tax bill may be reduced:

- the normal bill assumes that *two adults* are living in the property. If there is only one adult, the bill will be reduced by 25%
- council tax *benefit* is available to people on low incomes
- a second adult *rebate* is available where other members of the same household are also on low incomes

A *tied dwelling*, such as accommodation for wardens, should be allocated a lower valuation banding on the grounds that it has a lower market value than other comparable properties.

Wardens and council tax

If the warden pays council tax and is then compensated by the Meeting, this payment to the warden may constitute a taxable benefit even if the Meeting pays the council tax direct to the local authority. It is only where HMRC accepts that the accommodation is being provided for the necessary performance of the warden's duties that the payment of council tax is not a taxable benefit. Details of this can be found in HMRC publication 480 (2010) Expenses and Benefits – A Tax Guide, paragraph 21.2.

13.5 Investment property

Land and buildings owned by the Meeting and not used for its charitable purposes will be 'investment property'. As far as possible, such property should be used to generate income, which can then be used for the purposes of the Meeting. If the property and its associated income is substantial, it is advisable for the Meeting to employ professional managing agents. The agents' fees will normally be based on a percentage of the rental income, and in selecting an agent, you will need to compare in some detail the service to be provided and the charges to be made.

With an efficient managing agent, the work of the treasurer and the Finance or Property & Finance Committee will be considerably reduced. For the most part it should consist of: receiving the rent from the agent (and ensuring that it is correct after allowing for the agreed deductions); approving whatever items of expenditure are the responsibility of the landlord; and dealing with leases when tenants change. The guidance in section 13.1 on 'Financing repairs and maintenance' will apply equally to investment property and to meeting houses.

Valuation of investment properties

For the purposes of the Annual Accounts, it will also be necessary to review and include a reasonable estimate of the value of all investment properties at the year end. This is likely to require a professional valuation at intervals of, say, five years. Any increase or decrease in value will be shown in the Accounts as an unrealized gain or loss in the amount of investments. (See 'Revaluation of assets, gains and losses' in section 6.7)

13.6 Disposal of property

The disposal of all charity land in England and Wales (and this includes leasing as well as selling) is subject to the Charities Acts (see the Charity Commission's 'CC28 - Sales, leases, transfers or mortgages ...' at <http://www.charity-commission.gov.uk/Publications/cc28.aspx>). The disposal of meeting houses, burial grounds and other functional property may be subject to specific legal constraints and procedures.

- *Quaker Faith & Practice* 14.28 to 14.30 gives general guidance
- more detailed advice can be obtained from Friends Trusts Ltd and from the Charity Commission

If the Meeting is interested in selling or developing property for *social housing purposes* then advice should be sought from the Quaker Housing Trust (contact through QPSW at Friends House).

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14 Charity law and trusteeship

14.1 Introduction

This chapter is intended to update treasurers on these matters at this moment in a period of continuing change. Some of the points that were introduced in chapter 3, 'Charity accounting and collation' are amplified here. Applying the requirements of the relevant Acts to bookkeeping and to annual accounts was explained in Chapters 5 and 6.

The responsibilities of trustees are the same for all charities, whether they are registered or not and whether they are churches or have other aims. For practical purposes, the aspects of trusteeship that most apply to the treasurer are described from section 14.6 onwards. Some relevant Charity Commission publications are listed at the end of the chapter.

Since all Quaker Meetings are charitable trusts or are parts of charitable trusts, and may also be associated with secular trusts, much of the information in this chapter will be relevant to General, Area and Local Meetings. It may also apply to other Quaker groups and committees.

The Quaker Stewardship Committee has produced a Handbook for Trustees of Quaker Meetings which contains further information on charity law and trusteeship. This handbook can be downloaded from the BYM website. This chapter deals mainly with aspects that affect treasurers.

14.2 Excepted status and registration

All Quaker meetings are regarded as charities. They are for the advancement of religion, namely Quakerism. They are, and always have been, subject to charities legislation. In Scotland all charities must register with the Office of the Scottish Charity Regulator (OSCR). Under the Charities Act 2011 meetings in England and Wales with incomes not exceeding £100,000 a year have 'excepted status' though trusts administered in connection with meetings, not having this status, have generally been registered. Meetings above this threshold are required to register with the Charity Commission (CC). The threshold is expected to be progressively reduced in future years so that more meetings will need to register. Registered charities are given a charity number, complete an annual return and submit their annual Report and Accounts to the regulator within a defined period after the end of the financial year – the CC in England and Wales within ten months; the Office of the Scottish Charity Regulator (OSCR) in Scotland within nine months.

Britain Yearly Meeting of the Religious Society of Friends (Quakers) is registered with number 1127633. In general it is recommended that Area Meetings (AMs), rather than Local Meetings, should register, with additional registration of General or Regional Meetings if they are separate bodies and have a gross income exceeding £5,000. It can be advantageous to be a registered charity as some banks permit dual authorisation of online payments only to such charities.

While AMs with incomes under £100,000 cannot yet register simply as charities, they will from 2013 be able to do so as Charitable Incorporated Organisations (CIOs). This brings the advantages not only of registration referred to above but also of incorporation. These include the support of the Financial Services Compensation Scheme (see page 29) and the relief of trustees from personal financial responsibility for the charity.

The Charity Commission asks a body seeking registration who its trustees are and what responsibilities they carry on behalf of the charity. Until an Area Meeting appoints a defined body of trustees all and each of its members have all the responsibilities, so it is advisable to appoint trustees; most AMs have already done so. How the meeting works will need to be described in a document (called a 'Governing Document').

Trustees (formerly called by Quakers 'managing trustees') appointed by the meeting assume financial and fiduciary responsibility for the meeting. The property and investments of meetings in England and Wales have usually been held in the name of Friends Trusts Ltd (FTL) as the 'custodian trustee' for Quaker property and funds but the meeting is the beneficial owner; the income and the assets belong to the meeting and should be included in its report and accounts.

Many meetings now place their investments with managers, releasing FTL from its responsibilities in that area though it remains custodian trustee for real property. Note that FTL has no role on behalf of Scottish charities.

We have always identified it as good practice to be fully accountable for the stewardship of our financial assets. The Quaker Stewardship Committee has been assisting meetings in this where necessary. This help includes putting together a pack of information to help meetings with the process of registration, including model governing documents and advice about registration as a CIO. Apart from registration and the attendant reporting requirements mentioned above, all other requirements of the Charities Acts and their accounting regulations apply to all meetings, including those still excepted from registration.

i *The changing situation*

The accounting regulations, summarized in the Charity Commission's Statement of Recommended Practice (SORP) 2005, are subject to revision in the light of the Charities Act 2011 and subsequent regulations. Thresholds for examination and audit as shown in table 6a for England & Wales and table 6b for Scotland may accordingly change.

It should also be noted that only religious charities enjoy(ed) 'excepted status' – not the separate secular trusts of a Meeting, e.g. for education or the relief of poverty for non-Friends. For such funds some details of the regulations are different. This may cause difficulties for Meetings where separate trusts were never registered and the Meeting regards such activities as an integral part of living our beliefs. In such a case, guidance can be sought via the QSC link Friend. General questions might be answered by the Charity Commission website.

14.3 Charitable purposes and taxation

Churches exist to worship God, and other charities came into being when individuals or groups of people perceived a social need, and donated or raised funds for it. The importance of the impact on social behaviour by religious belief, and the social benefits of other charitable activities, has been recognized by the very favourable tax treatment that charities receive. This has in turn given rise to regulation so that the public is protected from those who try to use charitable status for private gain. It is the recognition of a charitable purpose which entitles an organisation to the favourable tax treatment. Charities are not entirely exempt from tax; they must generally pay VAT* and operate PAYE and pay National Insurance for their employees. But we do benefit from:

- exemption in respect of any interest from deposits
- exemption from capital gains tax on the sale of investments or property
- legacies being free of inheritance tax
- exemption from tax on rents or other income, except income from trading above a certain level

* For a discussion about VAT on room hire see *Treasurers' News* 12, page 2.

Without our charitable status, we would not be able to recover tax from HMRC on Gift Aid (for details see section 5.12, 'Handling tax-effective contributions'). We would also probably have to pay tax on the income from hiring our meeting houses to other organisations.

14.4 Charitable trusts, trustees and trusteeship

There is considerable guidance on these subjects in *Quaker Faith & Practice* Chapter 15 as well as in the Handbook for Trustees of Quaker Meetings.

A useful definition of a charitable trust

In deciding whether a trust you are responsible for is a charitable trust, the questions you need to ask yourself include:

- Is the body established for charitable purposes only?
- Should it be registered with the Charity Commission or with OSCR?

- Is the identity of the trustees clearly established and are they aware of their duties and responsibilities?

A useful definition is: A charitable trust is an **obligation**, enforceable at law, which binds certain persons known as the **trustees** to deal with assets over which they have control, for the benefit of some **charitable purpose** and for that purpose only.

i *Trusts for the relief of poverty*

In the case of trusts for the relief of poverty, a small number of possible beneficiaries may be sufficient to satisfy the requirement to benefit the community. They are commonly restricted to residents in a particular area or a class of persons such as the members and attenders of a Meeting. In making use of such trusts, it has to be remembered that an individual does not have to be destitute in order to qualify for relief. A person may be considered to be in need when he or she is unable to maintain a reasonable standard of living, or to properly support dependants, or unable to afford a modest holiday or to participate in the activities of the meeting, such as residential gatherings.

i *Relief of poverty and public funds*

The funds of a charity for the relief of the poor should not be used for purposes that would otherwise be met out of rates, taxes or other public funds. Nor should charitable funds be used when statutory benefits could otherwise satisfy the need; but it could well be necessary to supplement the assistance available from public funds. Leaflets describing statutory benefits can be obtained from local offices of the Department of Social Security, there is an appendix on this subject in Charities Commission CC4, and an invaluable source of information is the handbook published annually by the Child Poverty Action Group. This includes advice about ways in which help can be provided without reducing entitlement to statutory benefits.

i *The advancement of education*

The advancement of education has been given a broad interpretation by the courts. It is not confined to the young or to strictly scholarly pursuits, and can include physical development, arts and crafts, research, and vocational training. As with the relief of poverty, educational help can consist of the provision of suitable facilities or of grants direct to beneficiaries. Grants can be used to supplement but not replace the assistance available from local authorities.

Designated Religious Charities

In Scotland there is a category of 'Designated Religious Charity' which is covered by slightly different regulations from other charities. Quaker meetings are not covered by this category, which only applies to bodies with more than 3,000 full members residing within Scotland.

14.5 Right use of the Meeting's resources

This is a subject that can cause difficulties in some Meetings whose members may feel constricted by the charitable purposes defined in *Quaker Faith & Practice* and repeated in the governing documents of area meetings. Erroneously, they may think that because the Charity Commission has approved the governing document it has imposed restrictions; that this is not the case can be seen below.

Resources must only be used in accordance with the terms of the Meeting's governing document. For unregistered parts of the Society this remains *Quaker Faith & Practice* which says (14.04) that whilst the work of area meetings may vary, property and money are used for:

- a. strengthening the life and witness of our local meetings;
- b. spreading the message of Friends and interpreting and developing the thought and practice of the Religious Society of Friends;

- c. undertaking our service for the relief of suffering at home and abroad;
- d. funding the concerns of Friends that our meetings have adopted or agreed to support;
- e. providing for the pastoral care of individual Friends, including assistance to those in need and for education;
- f. maintaining and developing our meeting houses as places in which to worship and from which to carry our witness into the world;
- g. administering and maintaining the organisation of Britain Yearly Meeting.

In the governing document developed for Area Meetings by Quaker Stewardship Committee and approved by the Charity Commission the overall object is stated in clause 3 to be 'the furtherance of the general religious and charitable purposes of the Religious Society of Friends (Quakers) in Britain in the area of **X** Area Meeting and beyond'. The further clarification has in clause 5 essentially similar wording to that of *QF&P*.

Application of the Income and Property.

Within **X** Area Meeting, income and property are used to further the area meeting's object by work such as:

- i) strengthening the life and witness of Quaker meetings both in the area of **X** Area Meeting and beyond;
- ii) spreading the message of Quakers and interpreting and developing the thought and practice of the Religious Society;
- iii) undertaking Quaker service for the relief of suffering at home and abroad;
- iv) funding the concerns that Quaker meetings in the area of **X** Area Meeting or beyond have adopted or agreed to support;
- v) providing for the pastoral care of individual members and Attenders including assistance to those in need and for education;
- vi) maintaining and developing Quaker meeting houses as places for public worship and from which to carry our witness into the world;
- vii) administering and maintaining the organisation of **X** Area Meeting and contributing to the support of Britain Yearly Meeting.

General social actions – such as the relief of poverty outside the Society or a response to a disaster appeal – may be better financed out of funds specifically donated for such a purpose than out of a Meeting's general funds. Such causes would most probably be supported by special collections after Meeting.

In considering the purposes for which its funds can properly be used, five fundamental questions will help to guide a Meeting:

- In what way will this donation advance our purposes as a Religious Society?
- Can we be sure that tax-effective charitable gifts (such as money contributed through CAF or under Gift Aid) are not being misapplied to 'non-charitable' causes?
- Does the recipient organisation have the same kind of charitable aims as the Society?
- Does the donation further the Society's object, as described above?
- Does the Meeting believe that such a donation is the best way of furthering the Society's purposes, compared with alternative ways of using a Meeting's funds, such as grants towards other Quaker work* (BYM, Quaker Social Action, etc), or improving local facilities for worship?

* There must be a presumption in favour of what is done by Quakers rather than the work of others, because the Meeting's general funds are Quaker funds. Friends who want to support non-Quaker work can do so most simply as individuals or groups handling entirely separate funds.

Giving to non-charities

A Meeting may donate to a non-charitable organization only if **either** (a) it is can be clearly recorded that no money obtained under any tax-effective scheme has been used, as the Meeting should not act as a conduit for money on which tax has been recovered to be passed on to other bodies that are not qualified to recover tax, **or** (b) the money is used in furtherance of an established and tested concern of the meeting*.

* *Treasurers' News* 2 discusses when, in furthering our concerns, it may be in order to support a 'non-charitable' body.

i **Separate funds for social witness**

If members and attenders of a Meeting want fewer restrictions to their giving, they could set up an additional completely separate fund for their non-Quaker, non-charitable donations. They could contribute to this as individuals, using money on which tax has not been recovered. The fund could be managed by a Friend acting as an individual, and would not be part of the Meeting's accounts. A bank will gladly explain how to handle an account for a small 'non-profit-making organisation'.

i **Special collections and appeals**

Restrictions that might apply to a Meeting's corporate giving would not apply to amounts raised by individual Friends, in the form say of after-Meeting collections or in other ways, specifically for the benefit of a named charity. It would also be permissible for a Meeting to arrange a special collection for a non-charitable organisation that Friends wish to support, provided that the purpose of the appeal is known and that no attempt is made to use tax-effective methods of giving (such as making out a charity voucher to the Meeting and then applying the contribution to the appeal). =

Also, topping up or rounding up such collections and appeals from Meeting funds would count as making a donation, so for each separate collection a Meeting would need to ask itself the 'donation' questions above before deciding whether it could donate a top-up.

Support for individual Friends

A Meeting could finance someone to attend, say, a course at Woodbrooke, which would be particularly appropriate if that Friend couldn't otherwise afford to go. Or it could help a Friend towards the cost of a vocational course, or something like a telephone bill, if that person was in financial need and this was seen as part of the overseers' responsibilities. However, paying for young people to go to the theatre would rather depend on which young people, what theatre and how it fits in as an activity of the Meeting. At the end of the day, the trustees have to decide any contentious issues on the basis of asking "in what way will incurring this expenditure further the purposes of our Meeting?"

i **Using funds to support elderly Friends**

One Meeting grants interest-free loans to elderly Friends who have to make urgent repairs to their homes and have no reserves to cover the cost and, even if on Income Support, receive no allowance towards such housing costs. The amounts are usually a few hundred pounds, and arrangements are made for the loan to be repaid from the estate when the Friend dies. This seems to be a great help, and to give peace of mind.

i **Sources of Quaker funds**

Quaker Communications Department can provide a list of Quaker and Quaker-related trust funds that may be approached for support of Quaker individuals or Quaker projects. It refers to nearly sixty trusts or organisations under eighteen category headings, such as: Community projects, Peace mediation and penal reform, Travelling in the ministry, Youth

work. There is a paragraph about each trust, succinctly giving the necessary detail for making an initial approach. There are also eight bursary funds.

Giving to political organisations

The same reasoning about the charitable aims of the Society applies with even greater force to grants made by a Meeting to political organisations. This raises both the issue of breach of trust and the problem of tax-effective funds being applied for a non-qualifying purpose.

A distinction is to be drawn between admissible and non-admissible *political activities** by charities. In principle, a charity is confined to the objects of its trust, and to the reasonable advocacy of causes that directly further its objects and which are entirely ancillary to the achievement of those objects.

Friends must further distinguish what *they as individuals feel led to support* and what it *is permissible for them to do corporately*.

* Charity Commission publication CC9 gives guidance on admissible activities. Any Meeting contemplating action of a political nature should obtain a copy.

14.6 Trusteeship: aspects that impinge on treasurership

The treasurer will normally also be appointed as a trustee of the meeting and needs to be aware of various aspects of this role that have financial implications.

Function – The trustees are *fully responsible* for the assets and finances of the Meeting and they need to satisfy the Meeting that this responsibility has been properly discharged.

Integrated approach – In order to exercise oversight *an integrated approach* is necessary and the trustees should exercise the role of what in many Area Meetings is known as a Finance & Property Committee.

Sub-committees – The trustees may have a need for sub-committees to undertake specific detailed tasks but the limits on this delegation should be clearly defined and adequate arrangements made for reporting and monitoring.

Delegation to LMs – The care of meeting houses should remain in the hands of the trustees and it is recommended that the delegation to Local Meetings should be mainly for the day-to-day administration and be within limits prescribed by a Memorandum of Understanding.

Relationship with AM – The trustees should be alert and sensitive to the needs and wishes of the Area Meeting. They should ensure that the Meeting is consulted about major policy issues and matters that are likely to be controversial or have a material impact on the life and work of the Society and keep the Meeting and its members well informed about its financial and property affairs.

Role of the treasurer – The trustees should collaborate closely with the AM treasurer, who would normally also be appointed as a trustee.

Property steward – Just as a treasurer feels a personal responsibility for 'looking after' the Meeting's money and investments, a Friend may be appointed to 'look after' the Meeting's property. More than one Friend may be necessary, each with personal responsibility for particular properties or aspects. Ideally, the treasurer will not have to do this work though s/he may well be a member *ex officio* of any committees that deal with premises.

Annual Report and Accounts – In law the trustees are together responsible for the production, examination and approval of the Annual Report and Accounts and for its reception by AM. They should also ensure that the information is made freely and readily available to members in all the constituent Meetings. It is important that – even if s/he participates in its production. While the treasurer will, of course, write the financial aspects of the Annual Report, s/he should not be expected to produce the full report.

Employment – see section 14.7.

14.7 Employment

The Area Meeting trustees are legally responsible for employment matters, but the treasurer needs to ensure that any payments are correctly treated in accordance with the regulations for PAYE and National Insurance. Quaker Life, at <http://www.quaker.org.uk/employers>, gives comprehensive information about all aspects of employment. Specific advice can be obtained by telephoning Quaker Life on 0207 663 1096 or e-mailing wardenship@quaker.org.uk.

It may be particularly helpful for Treasurers to be aware of the matters listed below.

Self-employment is not a matter of choice and self-employment status in one occupation is not relevant in considering status for another (see <http://www.quaker.org.uk/resources-employers-your-key-obligations>). It is very unlikely that any Quaker Warden could be regarded as self-employed. HM Revenue & Customs should *always* be consulted before entering into any self-employed wardenship arrangement.

Rent* If an employee lives in accommodation provided by their employer (whether or not their contract requires them to live there), the maximum rent that can be charged (or offset) against minimum wage is regulated by national minimum wage legislation. See

<http://www.quaker.org.uk/resources-employers-questions-and-answers>

* see also 'Resident Friends tenancies' in *Treasurers' News* 8b, June 2010

Salary payments See when to pay salary and issue a pay slip at <http://www.quaker.org.uk/resources-employers-questions-and-answers>

Pension To know when the employer is obliged to provide a pension scheme see <http://www.quaker.org.uk/resources-employers-your-key-obligations>

Maternity and other parental leave is dealt with at <http://www.quaker.org.uk/resources-employers-questions-and-answers>

14.8 Breach of trust

A breach of trust may be deliberate or inadvertent, corrupt or innocent. For example, a payment made for a charitable purpose mistakenly and reasonably believed to be within the purpose of a trust is both an inadvertent and an innocent breach of trust. Other breaches include:

- failure to invest money so as to bring in income
- undue delay in collecting amounts due to a charity (e.g. income tax repayment claims) leading to loss of interest
- losses due to investing in unauthorised investments
- losses due to investing in investments that may be authorised but are unduly risky
- neglect of buildings leading to unnecessary expense
- failure to effect normal insurance
- and, of course, misappropriation or fraud.

Note that the funds of a meeting do not have to be invested so as to maximize the income they produce. They may be invested according to Friends' principles, for example in ethical funds. The meeting's investment policy must be explicitly stated in its annual report.

It is prudent for a meeting to hold sufficient reserves both to ensure continuity of operation if payments run ahead of receipts and so that money is available for anticipated future needs – see sections 8.2, 8.6 (reserves) and 6.11 (reporting on reserves).

14.9 Other legislation

Some legislation is directed particularly towards charities, but they are also subject to the general law. From time to time you may need to be aware of current legislation on some of the following topics:

- The Data Protection Act 1998 (see section 2.4)
- Employer/employee relationships
- Anti-discrimination on grounds of race or sex
- Value Added Tax

- Inheritance tax on gifts and bequests
- Capital gains tax (normally exempt)
- Measures directed against unacceptable avoidance of tax
- Council tax and non-domestic rates
- The law relating to wills
- Financial Services Act regarding investment advice given on a voluntary basis
- The Trustee Act 2000
- Fund-raising (especially by professionals)
- Health and safety
- Catering and hygiene
- Provision of alcohol

Useful publications

See those listed on page 80 of this Handbook. In addition, trustees need to be particularly aware of the following. (Later editions may have appeared since this list was revised.)

Charity Commission publications. Generally no hard copy is available. All available on its web site, http://www.charity-commission.gov.uk/Charity_requirements_guidance/ccpubs3.aspx.

CC25 – Managing charity assets and resources (March 2011)

CC28 - Sales, leases, transfers or mortgages: What trustees need to know about disposing of charity land (May 2009)

CC33 – Acquiring Land (April 2001)

CC35 – Trustees, trading and tax (April 2007)

CC36 – Changing your Charity's Governing Document (July 2011)

Annual Reports of the Charity Commissioners for England and Wales, pub HMSO. Useful source of information on current developments in practice and law.

Charity Commission News, a twice-yearly newsletter giving information and guidance for trustees, sent free to all who ask to be on the mailing or e-mail list.

Handbook for Trustees of Quaker Meetings, Quaker Stewardship Committee, 2009.

Quaker Faith & Practice, especially chapters 14 & 15 as revised by Yearly Meeting 2010

Fire Risk Assessment Principles for Church Premises, downloadable from the Churches Main Committee site: <http://www.cmainsc.org.uk/>. This site also offers a **No Smoking** sign.

Voluntary But Not Amateur: A guide to the law (8th edition), Ruth Hayes & Jacki Reason. London Voluntary Service Council, March 2009. £35

Charitable Status: A practical handbook, Andrew Phillips. Directory of Social Change, 6th edition, May 2008. £14.95

The Charity Trustee's Handbook, Mike Eastwood. Directory of Social Change, 2nd edition, June 2010. £12.95. This handbook offers clear and practical guidance for trustees of voluntary organizations with basic information about the responsibilities of trustee boards, and straightforward advice on planning, getting funding, and management.

The Good Trustee Guide, Edited by Peter Dyer. NCVO Publications, 5th edition, October 2008. Ideal as an introductory pack for new committee members or as a 'refresher' for long-serving trustees. £25

The ICSA Charity Trustee's Guide, Jane Arnott. ICSA Publishing Ltd (Institute of Chartered Secretaries & Administrators), June 2003. This guide provides quick and easy access to essential information on regulation and best practice in such matters as trustee recruitment and responsibilities, governance, board structure and functions, financial issues (including fundraising) and trustee-staff relations. £19.95 from <http://www.amazon.co.uk>

The Charity Treasurer's Handbook, Gareth Morgan. Directory of Social Change, 2nd edition, April 2008. £14.95

15 Glossary & Useful addresses

Italics indicate other words that have entries in the glossary.

Account Usually refers to a bank or building society account. The word 'Accounts' in the plural may refer to two or more bank accounts, but is specifically used for the financial records. In this Handbook, accounts with a lower case 'a' are the cash books and supporting papers, Accounts with a capital 'A' are the financial records at the end of the year.

Account book See *Analysed cash book*.

Accounting unit The administrative and financial unit that presents an Annual Report and Accounts. For Quakers, the Area Meeting is one.

Accounting period The period that the Accounts cover, usually a year.

Accounts working schedule As a 'trial balance', this schedule lays out the financial information for the accounting period in such a way that each part of it can be put to a trial, to see whether it *balances*, and can indicate the places to search for any errors. It records the Opening and Closing Balances, opening and closing *Debtors* and *Creditors*, and enables a treasurer to make the calculations that obtain the *Income* and *Expenditure* from the *Receipts* and *Payments*. See Appendix 1, 'Creditors and accruals; debtors and prepayments'.

Accruals Significant income or expenditure that you owe or are owed for the year in question, but for which the relevant *receipt* or *payment* had not been completed at the year-end. See section 5.5. (The word may be used less specifically to refer to *debtors*, *creditors*, *prepayments*, etc, in general.)

Accruals basis Area Meetings whose collated income is above a certain limit must prepare their Accounts on the accruals basis to include any significant income and expenditure which has been incurred in the year but for which the relevant receipt or payment had not been completed by the year end. See section 5.5 and Appendix 1.

Acting as agent The term used for transactions done on behalf of other people such as handling contributions from Friends specifically ear-marked for BYM, or money for special collections. They will be included in the *receipts* and *payments* in the cash book but will not be part of the *income* or *expenditure* and will be shown only in the notes to the Accounts. See section 5.9.

Adjusted Balance The balance held in the cash book after entering additional items found on the bank statement which should equal that of the bank statement after adjusting for items in cash book not yet presented to the bank (see section 5.10).

Administration see *Governance*

AM is the abbreviation used in this Handbook for an *Area Meeting* (formerly Monthly Meeting).

Analysed cash book Cash book with lot of columns. This lets you divide up a transaction and enter it under a number of different column headings, so that analysed details are available at the year end (or whenever you need them throughout the year). See section 5.8.

Analysis The breakdown of *transactions* into the categories you Will need for the Annual Accounts, each of which should if possible have a column in the cash book. See section 5.8.

Annual Report and Accounts The final record of the year's financial activities and position. The Accounts are the figures, the Report is a narrative description of the year. See also *Summarized financial information* and chapter 6.

Area Meeting The term introduced by Yearly Meeting 2007 to replace 'Monthly Meeting' as the primary meeting for church affairs in Britain Yearly Meeting and the charitable entity responsible for stewardship. It will include constituent Local Meetings.

Assets All the things the Meeting owns, in money, goods, investments and property. They may be *Fixed Assets* or *Current Assets*.

Asset revaluation gains (or losses) Gains or losses on the revaluation of investment assets have to appear in the Accounts as a line in the SOFA (see Chapter 6). The *Balance Sheet* will show a corresponding change in the market value of the assets.

Balance (noun) The amount in an *account*, or a *fund*. Opening Balances are those at the beginning of the relevant period, Closing Balances at the end after *reconciliation*. Note that it is the cash book balance, not that on the bank statement, which should appear in the Accounts.

Balance (verb) To 'make it balance' is to enter all the necessary figures in two or more places so that the results in all groups 'balance', i.e. are the same as each other.

Balance Sheet A statement of the financial position at a specific time. It records the *fixed assets*, *current assets*, and *liabilities*, analysing them between funds. See section 6.5.

Bank Automated Credit System (BACS) A way of transferring money directly into one *account* from another without the use of a cheque. Most salaries and pensions are paid this way.

Bank reconciliation A process undertaken at the end of an accounting period (usually monthly, must also be done at the year-end) obtain and demonstrate the equality of the *adjusted balances* of the cash book and the bank. See 'Bank reconciliation' in section 5.10.

Bank statement A record issued by the bank, usually at intervals requested by the customer, listing all transactions in and out of the account. See chapter 4 and *Bank reconciliation*.

Beneficiaries People who benefit (usually by receiving money) from a trust, legacy, etc.

Bonds The general term to denote any fixed-interest security (e.g. a gilt-edged stock or a debenture).

CAF See *Charities Aid Foundation*

Capital Resources of a charity that the trustees are legally required to invest or retain, and use for its purposes. It may be in the form of permanent or expendable *endowment*.

Cash book See *Analysed cash book*.

Charities Aid Foundation A registered charity that provides services that are both charitable and financial. Its purpose is "to help donors make the most of their giving and charities make the most of their resources". It acts as an agent for people wanting to give money in a *tax-effective* way to charities. Mainly they do the work of reclaiming the tax, and the donor who acts through them can give the originally intended contribution PLUS the reclaimed tax MINUS a modest administration charge. See section 5.12 on 'Tax-effective contributions'.

Charity unit The organisation that is considered by the Charity Commission, or is established by the governing document, to be the administrative and financial unit. For Quakers, the Area Meeting is one.

Collation Collecting and combining two or more items, such as the accounts of two or more parts of a charity. This is the correct term to use for the combining of local Meetings' accounts with those of the rest of the Area Meeting (which is the *charity unit*), replacing the term '*consolidation*' which has been in general but incorrect use but can lead to confusion.

Collections Donations to the charity the individual source of which cannot be identified, in contrast to *contributions*

Consolidation The process of combining the financial statements of a parent undertaking and its separate subsidiary undertakings, such as BYM and the Hospitality group, Woodbrooke and its limited company or an Area Meeting and the charities or subsidiary undertakings managed in association with it. Quakers have been using this word in place of *collation*; this usage can lead to confusion and should be discontinued.

Constituent Meetings The Local Meetings of an Area Meeting (constituent parts of it)

Contingency A condition that exists at the *Balance Sheet* date, but is 'contingent' upon some outcome and therefore will not be certain until a later date (or the sum involved will not be certain until then).

Contributions Donations to the charity which can be identified as coming from a particular individual, in contrast to *collections*

Covenant A *tax-effective* form of giving a specific amount to a particular charity for a minimum of four years, allowing the charity to reclaim the tax paid on the amount. This has been superseded by *Gift Aid* (q.v.)

Credit A financial *transaction* that increases the *balance* in an *account* or *fund*. You 'credit the sum to' that account or fund. The word means different things in different contexts. When someone says they will 'credit your account' with a certain sum of money, they mean that they will pay it into your account. If your account is 'in credit', it means that you have a positive balance in that account.

Creditor A person, organisation, company, etc, to whom you owe money – such as a builder, electricity company, owner of a space hired by the Meeting. See section 5.5.

Cross-cast 'To cast' is to add, and cross-casting is adding across, or horizontally. It is an essential way of checking that your cash book adds up correctly. When you have 'cast-up' every subsidiary column in an *analysed cash book*, you cross-cast the totals in all these analysed columns and the result must be the same as the grand total at the foot of the 'totals' column. See section 6.9.

Current assets *Assets* capable of being used or spent in the near future, for example, bank accounts and debtors who should pay soon (normally within a year).

Custodian trustees The legally registered owner of charity property. See section 14.6, and also *Trustees*.

Debit A financial *transaction* that reduces the *balance* in an *account* or *fund*. Like *credit*, the word debit has different meanings in different contexts. When someone says they will 'debit your account' with a certain sum of money, they mean that they will take this money out of your *account*. The debit side of your *bank balance* is the side that shows outgoing money. If your account has a 'debit balance', it means that you are in the red – and in trouble.

Debtor A person, organisation, company, etc, who owes you money, such as someone owing rent for use of the meeting house. See Table 5c.

Designated Fund Part of the charity's *Unrestricted Funds* set aside by the trustees for a particular project or purpose (a 'design'), such as saving up for a new roof, or keeping money available for Friends in Need. Designation does not prevent the Meeting from spending the resources for other purposes of the charity, if that seems wiser or necessary. See section 3.5.

Direct Debit A system for withdrawing money directly from a bank account, provided that written permission has been given by the account holder. It is different from a *standing order* in that the amount can be varied by the payee who need only inform the payer. Often used for the paying of insurance, council tax, etc.

Donor A person, organisation, company, etc, who gives something free of charge.

Endowment Fund A *Restricted Fund* arising out of a restriction originally placed upon property or funds, usually by the donors. With a 'permanent Endowment Fund', the Meeting *has no power to convert the capital into income* and can spend only the income. With an 'expendable Endowment Fund' the Meeting *does have the power to convert the capital into income* and to spend it for the restricted purpose. See section 3.5.

Ethical investment A way of investment that avoids companies involved in contentious trades such as armaments, gambling, nuclear power, tobacco, etc. The returns are usually no less than unscreened investments. See *Socially responsible investment* and section 12.5.

Expenditure Resources expended in the accounting period in question. Like *Income*, this is a technical term. It includes *nothing but* money relating to that period, even though some of the

actual cash may have physically changed hands before or after that period. Expenditure does not include money paid out for which you have simply been *Acting as agent*, nor money transferred between bank accounts. It is distinguished from *payments*, which are simply a record of everything that went out during a period, without considering *debtors* or *creditors* (see section 5.5).

Extended Trial balance Another term for an *Accounts working schedule*.

Fixed Assets Items that continue to be of value over a reasonably long period, e.g. property, investments and equipment. The trustees hold these on a long-term basis and therefore do not intend to dispose of them in the short term.

FSCS Financial Services Compensation Scheme. This indemnifies individuals and, subject to conditions, small organisations against losses of up to £85,000 that they have in a bank that fails (see page 29).

Functional properties The properties in which the 'function' of the charity is carried out – in our case, the meeting houses in which we worship (and the associated cottages or flats occupied by the wardens whose work helps to enable that worship). For comparison see *investment properties*.

Funds A fund is "a pool of resources, held and maintained separately from other pools because of the circumstances in which the resources were originally received or the way in which they have subsequently been treated." (SORP, Appendix 1, GL 27). A charity's assets may be divided between different 'funds', according to their origin and purpose. All charities will have at least one *Unrestricted Fund*, but they may also need to distinguish *Restricted*, *Endowment*, and *Designated Funds*. A fund is not the same as a *bank account*, and a number of funds may be held in one account. A fund may include other things than money, such as property and investments (*fixed assets*). See under these headings, and also section 3.5.

Gift Aid An HMRC system for *tax-effective giving* of any one-off sum to a charity. See section 5.12.

Give As You Earn A *tax-effective* form of giving. See section 5.12.

Governance the central administrative operations of the charity as a whole - e.g. trustees' meetings, audit or independent examination, banking, engagement of solicitors. The *SORP* requires that the cost of these, which may include some of the *Support Costs* (q.v.), be declared in the *SOFA*.

Grant Money or property given to a person or institution, for a particular purpose that furthers the objects of the grant-maker.

H M Revenue and Customs (HMRC) The government department that collects taxes, VAT and customs duty; formerly Inland Revenue and HM Customs & Excise: www.hmrc.gov.uk.

Hiring is the term for allowing use of some or all of the space in a *functional property* for a relatively short time in return for money. Hiring is an 'Activity for Generating Funds' that HMRC would regard as trading only if services, such as catering, are included. In any case, remember to note as expenditure the relevant support costs as well as the direct costs of hiring. For more guidance see <http://www.hmrc.gov.uk/charities/>.

HMRC see *H M Revenue and Customs*

Honorarium (The plural is still usually 'honoraria'.) A payment made to someone described as an 'honorary treasurer' (or other office), in the sense of doing the work voluntarily and without formal payment. It is intended as a form of appreciation, but HMRC regard it more strictly as payment for work done. See section 6.13.

Imprest See *Petty cash*, and section 6.12.

Income Like *Expenditure*, this is a technical term. It represents all the resources received or owing in the accounting period in question, even though some of the actual cash may have changed hands before or after that period. Income includes all donations, by schedule or otherwise, gifts, hirings, lettings, dividends, interest, etc. It does not include money banked for

which you have simply been *Acting as agent*, nor money transferred between bank accounts. It is distinguished from *receipts* by including all the *debtors* and *creditors* for the accounting period (see section 5.3).

Investment properties Properties held by an Area Meeting from which it obtains an income by *letting*. See section 13.5. For comparison see *functional properties*.

Investment record A record of the date and cost of purchase of investments, with changes in the amounts, the annual market value, etc. Also called the investment register. See section 5.15.

Invoice The formal name for a bill requesting payment for goods or services supplied. Sometimes a letter can act as an invoice, or another less formal memo. A treasurer will receive invoices from suppliers, and will issue invoices to, for example, people who hire rooms in the meeting house.

Journal transfer A transfer between analysis columns to reallocate entries or to record other transactions such as depreciation that involve no actual receipt or payment.

Letting is the assignment by lease by a landlord to a tenant of the sole use of all or a part of a property in return for rent for a period of months or indefinitely subject to notice on either side.

Liabilities are sums owed by the Meeting: *creditors* and *accruals*.

Listed Places of Worship Grant Scheme. This allows a refund of VAT on repairs at least until March 2015: see information on p. 121.

LM is the abbreviation used in this Handbook for a *Local Meeting*.

Local Meeting is the general term introduced by Yearly Meeting 2007 for the constituents of an *Area Meeting*, replacing the former terms Preparative, Recognised and Notified Meetings. The recommended name of such meetings is 'Y Quaker Meeting' and this will be the name on bank accounts.

National Insurance Contribution (NIC) The contribution from wages/ salary to pay for the National Health Service and contributory social security benefits such as pensions. The employee's contribution is 'deducted at source' by the employer and sent to HMRC monthly or quarterly along with the employer's contribution. See section 5.12.

Non-primary purpose trading is intended to raise money, outside the primary purpose of the charity but excluding investment income. It is taxable if it exceeds the *small trading exemption*.

Object(s) define the basis for a charity's existence: what it is allowed and expected to do.

OEIC Open-ended investment company: like a unit trust but with shares instead of units (sections 12.2, 12.5)

OSCR Office of the Scottish Charity Regulator – see <http://www.oscr.org.uk/>

Pay As You Earn (PAYE) The system whereby employers deduct income tax from their employees' wages/salaries according to a detailed schedule and hand it on directly to HMRC monthly or quarterly.

Payments The amounts that were paid out during the accounting period, regardless of whether some of them actually related to the previous or the following period. Its distinction from *Expenditure* (q.v.) is very important. See section 5.5.

Petty cash Petty means small, and the phrase usually refers to a system of making and recording very small payments. See section 5.13.

Primary purpose trading is that exercised in the course of carrying out a primary purpose of the charity, such as our selling *Quaker Faith & Practice*. It is tax-free. Such trading is deemed to be primary even when it is carried out as a part of trade that is *non-primary purpose*.

Quinquennial survey A professional survey of property made quinquennially, that is, every five years, as recommended in the BYM's 'A Handbook for the Care of Meeting Houses'. It advises how to prevent small and medium problems from becoming big ones, and aids in the

planning of maintenance and repair for both meeting houses and *investment properties*. See section 13.1.

Receipts The amounts of money that were received during the accounting period, regardless of whether some of them actually related to the previous or following period. Its distinction from *Income* (q.v.) is very important. See section 5.3.

Reconciliation A process of checking that totals relating to the same thing, arrived at via two different routes, agree with one another (are reconciled). See *Bank reconciliation*.

Reserves These are the resources the charity has or can make available to spend for any or all of the charity's purposes once it has met its commitments and covered its other planned expenditure. For more about them, see Charity Commission publication CC 19 "Charities' reserves" and Chapter 8. of this Handbook.

Restricted Fund A *fund* for which the use is restricted by the donor(s), for example when they strictly limit the use that may be made of a contribution or legacy. In the Accounts of an Area Meeting, the funds of each *constituent Meeting* were formerly treated as Restricted but are now correctly treated as *Designated Funds* except when a special trust has been set up limiting its use to within that Meeting. See section 3.5.

Rounding-off Removing the pence from figures, e.g. for presentation in the Annual Accounts, by rounding up or down to the nearest pound. See section 6.9.

Schedule The annual appeal to Friends for financial support, intended to help Friends plan their giving to their Meeting and to the wider range of Quaker needs including Area Meeting, Yearly Meeting, central departments, etc. See section 9.2.

Securities A loose term embracing a wide range of usually longer-term financial assets. See also *Bonds, Shares, and Stocks*.

Shares The name for investments in companies, usually listed on the stock exchange, but also used for Traidcraft and others. They differ from *Stocks* in being for fixed nominal amounts. There are guidelines, ethical and legal, over such investment for charities. See section 12.2.

Small Trading Exemption The level of gross income up to which *non-primary purpose trading* is not taxed: £5,000 or, if more, 25% of all the charity's gross income (including the trading) up to a maximum of £50,000. If you may be nearing the limit see *HMRC* information directly: there are other possible exemptions.

Socially responsible investment An approach to ethical investment by holding shares in order to influence a company towards adopting policies and practices that meet with the approval of Friends. See section 12.5.

SOFA see *Statement of Financial Activities*

SORP see *Statement of Recommended Practice*

Standing order An instruction to a bank from one of its customers to pay money to a named recipient at fixed intervals. Differs from a *Direct debit* in being for a fixed sum named by the payer.

Statement A statement shows someone's financial position. It is a record from a supplier, usually issued monthly, itemising all invoices issued, noting any receipts of money from the customer, and showing the current position, usually a sum that the customer owes. It differs from an *invoice*, in that it is a picture of a continuing relationship, rather than a request for a specific single payment. Credit card statements are a good example. See also *Bank statements*.

Statement of Financial Activities (SOFA) The record of the Meeting's financial activities during the year, in the tabular format illustrated in table 3 of the *SORP*. See section 6.4.

Statement of Recommended Practice (SORP) The book *Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005)* issued by the Charity Commissioners. 'The accounting recommendations of this SORP apply to all charities in the

United Kingdom that prepare accounts on the accruals basis to give a true and fair view of a charity's financial activities and financial position regardless of their size, constitution or complexity. ... Charities preparing cash-based receipts and payments accounts ... are encouraged to adopt the activity approach provided in this SORP ' See sections 3.3 and chapter 6.

Stocks The issued capital of a company, or a particular issue of *securities*, e.g. by a government, which can be held or transferred in any amounts. Distinct from *shares* in a company, which must be for fixed nominal amounts, and held or transferred in those units.

Summarized financial information or statements The **information** will focus on a particular aspect of a charity's finances for example, an analysis of incoming resources or expenditure on particular activities of a charity. Such information does not purport to summarize the full statutory accounts. The **statements**, on the other hand, should be based on the full financial statements and communicate key financial information without providing the greater detail required in the full accounts (for example, as contained in the notes to the accounts). (SORP, paras 371–375 and Table 10). See section 6.12.

Supervision of Accounts The process of scrutinising a charity's accounts, carried out by the Charity Commission for registered charities. Unregistered or excepted charities are perhaps assumed to do their own supervision. Friends are moving towards this through the work of the Quaker Stewardship Committee. See 7.4.

Support costs Support costs are those costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity (SORP, Appendix 1 GL 54). They may be apportioned between charitable activities, income generation, governance costs, etc. See section 5.9.

Tax-effective giving Giving to charities by methods that take advantage of HMRC schemes whereby the charity can reclaim 'associated tax'. See section 5.12.

Till receipt The little printed-out slip of paper from the 'till' or check-out of shops, with a record of the payment made by the customer. See *Vouchers*.

Traidcraft A trading organisation founded by Oxfam and others that pays the suppliers in southern countries a fair amount for their goods. See also *Ethical investment* and *Shares*.

Transaction A transfer of goods or services from one person to another. In book-keeping, each recorded transfer of money.

Trial balance A procedure to determine whether the accounts really do balance. See *Accounts working schedule*.

Trustees Persons having the general control, responsibility and management of the administration of a charity. See sections 15.3 and 15.4. *Custodian trustees* do not come within this definition.

Unrestricted Funds Funds, such as the general fund of a charity, consisting of contributions and income that are not restricted other than by the objects of the charity. They are therefore held for spending at the discretion of the trustees though they may be *Designated Funds*. See also section 3.5.

Voucher A general description for any paperwork explaining a receipt or a payment, such as an *invoice*, a till receipt, an authorising minute or a written explanation by the treasurer.

Useful addresses

Charity accounts and regulations

Charity Commission
St Alban's House
57-60 Haymarket
London SW1Y 4QX

HMRC
Claims Branch (Charity Division)
St John's House
Merton Road

Office of the Scottish Charity Regulator (OSCR)
2nd Floor
Quadrant House
9 Riverside Drive
Dundee
DD1 4NY

info@oscr.org.uk
<http://www.oscr.org.uk/>

Investments

National Council for Voluntary
Organisations (NCVO)
Regent's Wharf
8 All Saints Street
London N1 9RL

Friends Trusts Ltd
Friends House
173-177 Euston Road
London NW1 2BJ

Ethical investments

See section 12.8 'Relevant organisations' in chapter 12 on 'Investment'

Envelopes for Gift Aid

Church Finance Supplies
Radley Road
Industrial Estate
Abingdon
Oxon, OX14 3SE

Tel: 01235 524488; Fax 01235 534760

Quaker organisations that are not BYM funds

These groups are not administered centrally, so it is better to deal with them directly. Some of these addresses may change occasionally. If in doubt, check in the Book of Meetings.

Friends World Committee for
Consultation
173 Euston Road
London NW1 2AX

<http://fwccworld.org/>

The Leavers
G/F 1 The Lodge
1046 Bristol Road
Birmingham B29 6LJ

<http://www.leavers.org>

Northern Friends Peace Board
Victoria Hall
Knowsley Street
Bolton BL1 2AS

<http://nfpb.qn.apc.org>

Quaker Homeless Action/
Quaker Open Christmas

<http://www.qha.org.uk>

Quaker Housing Trust
c/o Paula Harvey
Friends House, 173-177 Euston Road
London NW1 2BJ

<http://www.qht.org.uk/>

Quaker Social Action
c/o Bunhill Fields Meeting House
Quaker Court, Banner Street
London EC1Y 8QQ

<http://www.quakersocialaction.com/>

The Retreat Benevolent Fund
c/o The Administrator
107 Heslington Road
York YO1 5BN

<http://www.theretreatyork.org.uk>

Quaker Service 028 9020 1444
 541 Lisburn Road
 Belfast
 BT9 7GQ
 info@quakerservice.com
<http://www.ulsterquakerservice.com>
 Quaker Council for European Affairs
 c/o Simon Bond
 1 Lynton Green
 MAIDENHEAD SL6 6AN
<http://www.qcea.org>

Young Friends General Meeting
 c/o Woodbrooke
<http://yfgm.quaker.org.uk/>
 Woodbrooke Quaker Study Centre
 1046 Bristol Road
 Birmingham B29 6LJ
 0121 472 5171
enquiries@woodbrooke.org.uk
<http://www.woodbrooke.org.uk>

Interdenominational support from ACAT

The Association of Church Accountants and Treasurers (Charity No 1072733) produces a Handbook and newsletters for members. Membership costs £12.50 per year and is very good value.

'The Association endeavours to bridge the perceived gap between the needs and understanding of ordinary treasurers and the complexity of legislation and the advice provided thereon by central financial administrators.'

Very reasonably-priced training and workshops are offered, even to non-members, via the web site, <http://www.acat.uk.com>. You can contact ACAT at admin@acat.uk.com.

Blank page available for notes

Appendix 1 Bookkeeping details

Examples of entries in the records

The tables in this Appendix show how a range of types of entry may be made in the main cash book and supplementary records. They do not relate to any particular meeting, fact or fiction, but exemplify the linking that makes for coherent stories – accounts – of financial transactions. In practice, more columns would be used to show details that the Meeting would like to see, especially under ‘meeting activities’ – perhaps under some of the headings offered in Table 5f.

The main cash book: receipts and payments

First of all, the headings need explanation. The January Receipts / Income page (Table A1a) is analysed so that, while the ‘total banked’ will agree with the bank statement, covering all sorts of receipts, the columns between this and the ‘Transfers’ show the income. Similarly on the January Payments / Expenditure page (Table A1b) the ‘total payment’ column is designed to tally with the statement while columns to the right of this and to the left of ‘Transfers’ show expenditure. On both sheets there are entries that do not feature in the bank statement as well as bank entries that are not income or expenditure. Making entries in this way through the year greatly simplifies producing statements of income and expenditure at any time.

Transfers within the AM have, look to the LM like income or expenditure but with their counterparts elsewhere will balance to zero in the AM collated accounts. Transfers within the LM balance to zero with entries elsewhere in the LM records. ‘Acting as agent’ payments must, long-term, be equal to the receipts. If at the year end there is a sum outstanding this is recorded in the notes as ‘not yet passed on’.

The entries in these pages illustrate several of the points made in Chapter 5.

Every entry in the main cash book has a reference number enabling it to be linked with the voucher, cheque or paying-in counterfoil and other records, including its counterpart elsewhere. Transfers within the LM have brief descriptions in the last column, ‘Notes on transfers, etc’. These include:

- discharge of creditors at R5 (when a prepaid hiring took place), P15 (paying on to BYM a sum received late in the previous year) and P4 (by repayment of last year’s expenses). Note that in the last case the amount payable differed slightly from the accrued estimate, the extra being recorded as an (immaterial) expense in the current year.
- discharge of debtors at R10 (by repayment of a loan) and P5 (paying insurance for half the year with a sum brought forward). The latter is a journal transfer: no actual money moves.
- deduction of charges, shown at P2, from a payment of rent by the letting agent, shown at R6. This enables the receipts to be reconciled with those on the bank statement even when one item (and one voucher) includes both income and expenditure.
- increase in investment assets at R24, where the dividend on an accumulation fund needs to be noted as income, separate from any possible change in capital value due to market fluctuations.

Other entries in the ‘Notes ...’ column for payments explain that:

- P13 – though the treasurer’s expenses were not to do specifically with governance, because he is a trustee they must be recorded separately for later disclosure;
- P20 – there is more than one way in which utility bills may be handled. The word ‘ongoing’ in the Notes hints that this meeting has always recorded four electricity bills each year and, while these actually include the last quarter of the previous year and omit the last of the current year, the difference between this and the stricter method can be regarded as immaterial. Formally, someone could read the meters on the last evening of the year, estimate the amount due and write this in as a creditor. Many treasurers have other calls on their time late on 31 December and may prefer to disclose the alternative policy in the notes to the Accounts.

The dates of entries reveal that several were made only after the end of the month, when the bank statement and other information had arrived: the last eight on Receipts and the last three on Payments. For a busy meeting it may be useful to check the bank statement, online or otherwise, before the paper statement turns up to ensure that an appropriate balance is in hand as well as to enable the recording of standing orders and direct debits.

Table A1a January Receipts / Income

Date	Description	Ref R	total banked	Voluntary income for PM			Generated income		Investment	Quaker Activities		Other	Transfers		Other meetings	Acting as agent	Notes on transfers, etc
				contributions	collections	grants & legacies	hirings	sales	investment income	general activities	books &c	other receipts	within the MM	within the PM			
Jan 2	PM, Shelter, & £10 BYM	1			16.50										10.00	2.00	
6	Hiring (AA)	2				45.00											
7	Hiring (Soup Kitchen)	3				50.00											
8	Sale of cards, etc	4	133.95				10.45										
	Hiring (Brownies) prepaid	5				30.00								(30.00)			Cr discharged
	Fell Cottage rent (IBT)	6	353.00					400.00						(47.00)			Mgt charge P3
9	PM, & Shelter Sp Coll	7			16.10											30.12	
15	Wedding: hiring & collecn	8			16.24		50.00										
16	PM, & Shelter Sp Coll	9	145.44		22.86											10.12	
17	White: loan repaid	10	150.00											150.00			Dr discharged
19	Priny School INSET	11				75.55											
20	Sale of cards, etc	12			23.50		5.20										
22	Collection at funeral	13			25.00												
23	PM, & Shelter Sp Coll	14	139.25													10.00	
28	Bristol Water dividend	15	25.14					25.14									
28	Hiring (Meditation)	16			17.10		15.00									9.12	
30	PM, & Shelter Sp Coll	17	41.22														
18	Contrib - Green S/O	18	15.00		5.00											10.00	
19	Contrib - Blue S/O	19	25.00		15.00											10.00	
19	CAF 2120532 - Red	20	350.00		100.00											250.00	
25	CAF 2209712 - Purple	21	100.00		5.00											45.00	50.00
26	Contrib - Violet S/O	22	10.00		10.00												
27	Hiring (WEA) annual S/O	23	150.00			150.00											
31	Stewardship div	24						77.04						(77.04)			Added to asset
31	Transfer from dep alc	25	400.00											400.00			
Totals			2,038.00	135.00	137.30	0.00	415.55	15.65	502.18	0.00	0.00	0.00	0.00	395.96	325.00	111.36	
cross-cast			2,038.00														

Table A1b January Payments / Expenditure

Date	Description	Ref P	Chq no/ 2nd ref	total payment	Costs of generating income				Quaker Activities				Governance costs		Support costs		Transfers		Other meetings	Acting as agent	Notes on transfers, etc	
					collecting costs	hiring direct costs	other costs	investment costs	meeting activities	trustees' expenses	others' expenses	Grants / donations	repairs & maintenance	utilities	within the MM	within the PM						
Jan 6	Book Centre (for library)	1	101	56.50					56.50													
8	Cottage Management	2	R6					47.00										(47.00)				Costs of R6
10	A Box (reimb. flip-chart)	3	102	31.15		31.15																
10	C Dart (prevyr exos)	4	103	20.50							0.50								20.00			Cr discharged
10	Insurance Jan-Jun	5	JT																(418.50)			Dr discharged
12	OL - cards & posters	6	104	35.10			35.10															
13	Courts - curtains	7	105	65.00																		
15	GRS - china & cutlery	8	106	19.50		19.50																
15	Glass - repairs	9	107	317.25															317.25			
19	WHSmith - stationery	10	108	20.60					20.60													
20	G Hart - conf expenses	11	109	90.00					90.00													
23	BT (to Jan 10)	12	110	55.50					55.50													
24	Treasurer (Jan expenses)	13	111	24.00						24.00												Treas is trustee
30	Imprest for petty cash	14	112	29.00					19.50										9.50			
31	Handed on - BYM	15	113	275.00																50.00		Cr discharged
31	- MM	16	114	100.00																100.00		
31	- Shelter (Sp coll)	17	115	61.36																	61.36	
31	- OHT	18	116	50.00																	50.00	
31	G Hart - conf travel	19	117	35.00					35.00													
7	Electricity (Oct - Dec)	20	DD	111.11																111.11		ongoing
31	MM Buildings Fund S/O	21	S/O	100.00																100.00		
	Totals			1,496.57	0.00	50.65	35.10	47.00	277.10	24.00	0.50	0.00	0.00	810.25	111.11	100.00	(395.50)	325.00	111.36			
	cross-cast			1,496.57																		

Creditors and accruals; debtors and prepayments**Table A1c Creditors and debtors**

Creditors and accruals					Debtors and prepayments				
Date	Description	Ref	amount	total	Date	Description	Ref	amount	total
Jan 1	B/Fwd from year 0				Jan 1	B/Fwd from year 0			
	Brownies advance pmt		(30.00)	(30.00)		White, loan		150.00	150.00
	BYM as A to pass on		(50.00)	(80.00)		Gathering, deposit		300.00	450.00
	C Dart exps - accrual		(20.00)	(100.00)		Insurance prem, Jan-Jun		418.50	868.50
Jan 8	Brownies use MH	R5	30.00	(70.00)	Jan 10	Insurance prem, Jan-Jun	P5	(418.50)	450.00
Jan 10	C Dart exps paid	P4	20.00	(50.00)	Jan 17	White loan repaid	R10	(150.00)	300.00
Jan 31	BYM as A passed on	P15	50.00	0.00					
	Current creditors &c			0.00		Current debtors &c			0.00

Each entry refers to the corresponding entry in the main cash book. The running total of what is owed either way can be useful in reminding the treasurer what has still to be paid or recovered. This record can be used to check on expected income or liabilities. For example, when an invoice is issued to a hirer this can be regarded as creating a debtor and written into the cash book as income from hiring with a counterbalancing transfer to the Debtors column above. Then, when the hirer pays, the debt is discharged. It makes more work, writing three entries instead of one, but it gives a better picture of the meeting's financial position as well as formally recording the dates of issue and payment of the invoice.

An alternative is to ignore the debtors and creditors during the year, adjusting the receipts and payments at the end of the year in a 'working schedule', taking out the creditors and debtors brought forward and putting in those to be carried forward to produce a 'trial balance'. This entails tracking through the year again, however, seeking such events as that recorded at R5.

Contributions and collections received 'as agent' are not recorded as creditors as they are tracked separately.

The LM Contributions and Collections Records

Table A1d January Contributions and Collections

PM Contributions & Collections Record

Date or ref	Item	Gift Aid? Y/N	Ref (& chq no.)	TOTAL	Other meetings			Acting as agent			CAF Vouchers		
					PM fund	MM fund	BYM fund	QCEA	QHT	Other	CAF a/c number	Date sent	Cash book ref
Contributions received													
January													
A	Red	N	CAF 190	350.00	100.00	80.00	170.00				2120532	Jan 4	R20
B	Purple	N	CAF 131	100.00	5.00	10.00	35.00		50.00		2209712	Jan 10	R21
C	Green	Y	S/O	15.00	5.00	5.00	5.00						R18
D	Blue	Y	S/O	25.00	15.00	5.00	5.00						R19
E	Violet	N	S/O	10.00	10.00								R22
				500.00	135.00	100.00	215.00	0.00	50.00	0.00			
						OM=	315.00	A as A =		50.00			
Collections received													
Jan 2													
				28.50	16.50		10.00			2.00			R1
	9			46.22	16.10					30.12			R7
	15 (at wedding)			16.24	16.24								R8
	16			32.98	22.86					10.12			R9
	22 (at funeral)			23.50	23.50								R13
	23			35.00	25.00					10.00			R14
	30			26.22	17.10					9.12			R17
				208.66	137.30	0.00	10.00	0.00	0.00	61.36			
						OM=	10.00	A as A =		61.36			
Totals (as cash book)				383.66	272.30	C&C=	325.00	C&C=		111.36			
<i>'Other' - All special collections in January were for Shelter</i>													
Amounts passed on:													
Jan 31	BYM			225.00			225.00				(paid with previous year's £50)		P15
	MM			100.00		100.00							P16
	Shelter			61.36						61.36			P17
	QHT			50.00					50.00				P18
				436.36		100.00	225.00	0.00	50.00	61.36			

Each 'Contribution received' is recorded when notified. The brief reference in the first column may be useful. Of course the donor's name is entered. The next column identifies whether or not Gift Aid is to be claimed. In the case of CAF vouchers, this column will always have 'N' – and a voucher record cannot be completed until the actual money appears at the bank enabling the 'cash book reference' to be filled in.

'Collections received' each refer to the corresponding entry in the main cash book, as do 'Amounts passed on'.

Note that this meeting is accepting into its income as a designated fund, and recovering Gift Aid on, contributions to BYM but not those to other charities.

At the end of January, as it happens, no voucher remains unpaid and all money due to other meetings or 'as agent' has been passed on. If this were not so, balances would need to be kept

in mind for February. If this were December and money was outstanding then special action would be needed to transfer commitments into debtors (money not yet received from CAF or, as Gift Aid, from HMRC). Money received as agent but not yet passed on to recipients would be included with other transactions as agent in a note to the accounts.

Deposit account

Usually a meeting's deposit account only interacts with its current account by transfer. Statements will be periodically received from the bank and can be reconciled in the usual way but it is not difficult to maintain a simple local record on a narrow analysis sheet headed with the date, nature of transaction, cross-reference to the R or P series, amount involved and balance remaining in the deposit account. Then the treasurer always has a good idea of what is available.

Assets and Investments records

The records of assets kept by the meeting must enable easy extraction of the information required by the SORP for the balance sheet. At the same time they should enable the meeting itself to understand the origins and utility of each item. Table 6d and the notes in section 6.5 should help in the classification of assets. Practical treatment is illustrated in Table A1f for a holding in an open-ended investment company (see sections 12.2 and 12.5).

Table A1e Investment Record

Meeting Asset Register

Nature of asset: Investment (shares) _____
 Description: 1673 shares ABC Ethical Accumulation Trust OEIC _____
 Acquisition date: 1 Aug 2005 _____
 Acquisition cost: £10,800 _____
 Owned by (fund): LM general _____

TRANSACTIONS:

Date	Description	Ref	Amount	Balance
1/8/05	Purchase	P173	10,800.00	10,800.00
31/12/05	Revalue (unrealised gain)	R265	968.46	11,768.46
31/1/06	Dividend (income)	R24	77.04	11,845.50
31/7/06	Dividend (income)	R128	185.96	12,031.46
31/12/06	Revalue (unrealised gain)	R283	456.22	12,487.68

When revaluation occurs in accumulation shares like this the gain or loss is ascertained by subtracting from the new value not only the previous end-of-year value but also the value of any dividends received and aggregated with the share value during the year.

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Appendix 2 Collating the Accounts

Before the end of the year there should be agreement between all the treasurers of the Area Meeting as to the way that the collated accounts will be prepared. Each LM treasurer will be producing a set of accounts that broadly follows the SORP format: SOFA, balance sheet and notes. Many will also write a report to explain to the Meeting in words what has been going on. They may offer summarized accounts, perhaps in graphic form – pie charts or histograms.

Because local Meetings vary so much in their size and complexity these local accounts are likely also differ widely from each other – and this is reasonable. However, for collation there must be a common format and agreed way of working. The system proposed here is known to be workable and effective but, of course, Area Meetings also are not all the same and each must devise its own detailed arrangements. The **dates** below may not be attainable in the first year of operation.

This Appendix offers a basic *pro forma* accompanied by notes explaining it line by line and suggests a sequence of operations that should ensure successful collation. The amount of detail included can be varied – e.g. using more categories from Table 5f (page 31).

What needs to be done

Each treasurer must, as soon as possible after the year end, check that all expected interest, dividend and rent or hirings payments have been received. By about **mid-January** this process should be complete – at which date debtors and creditors can be finalized.

If debtors and creditors have been tracked through the year, the final balances in the columns of the cash book will represent income and expenditure. If the alternative method has been adopted, this is the time to account for debtors and creditors as described in Appendix 1, converting the receipts and payments in each category into income and expenditure.

A week may suffice to fill in and send off the *pro forma* to the collator. This is best done before the LM accounts are examined, in case there has been a misunderstanding about transfers within the AM or the categorization of the many other sums involved.

The collator, receiving (about **16-24 January**) all the components of the AM accounts, can compare them with each other, with the AM central accounts, with the accounts of the AM Collector (if that is how the AM operates) and with any other contributory accounts (e.g. overseers'). There is then dialogue as necessary with individual treasurers.

When any wrinkles have been ironed out, the collator confirms to each local treasurer that her/his accounts fit with others seen and may be independently examined separately (the usual arrangement) – perhaps by the **end of January**.

The AM collated R&A can now be completed, drafts being circulated to trustees for comment. When the contributory accounts have been certified correct by their respective examiners, the collated AM report and accounts can be offered about **mid-February** to a forthcoming meeting of the trustees and, with all supporting documents, to the auditor or independent examiner. The latter may not sign off the R&A until the trustees have approved them but can let the trustees know if any change is necessary before such approval can be given. If the trustees meet to approve the R&A in the **last week in February** then the examiner's or auditor's certificate may be received in **early March**. **March AM** for church affairs can then receive the R&A, with a simple oral explanation of the main features and preferably also visual aids: charts, graphs, etc.

Meanwhile LM treasurers will have been able to present their examined reports and accounts to their LMs at their March meetings for church affairs so that those attending the subsequent AM understand the contribution their Meeting has made to the collated AM R&A.

Table A2 Pro forma for collation of LM accounts into the AM totals

		Local Meeting	page 1
line	Receipts / Income		£
1	Contributions (direct or from AM Schedule Collector – voluntary income)		
2	Other donations and collections for local meeting funds – voluntary income		
3	Hirings (formerly lettings) – generated income		
4	Sales for income generation (gross receipts) – generated income		
5	Interest and dividends – investment income		
6	Contributions to Quakerly events / books / etc. – income from Quaker activities		
7	Receipts from other parts of the Area Meeting (please specify) (these are transfers within the AM collated accounts)		
8	Other receipts (details and continuation on a spare sheet if necessary)		
9	Receipts as Agent		
10	Total Receipts / Income		
Payments / Expenditure			
11	Cost of collections, etc. (costs of voluntary income)		
12	Cost of generating income (hirings, sales) excluding support costs		
13	Support costs of generating income (from page 2)		
14	Donations other than to meetings within the same AM		
15	Local meeting Quaker purposes excluding support costs & donations		
16	Support costs of Quaker purposes (from page 2)		
17	Payments to other parts of the Area Meeting (please specify) (These are transfers within the AM collated accounts.)		
18	Governance costs (e.g. bank charges, solicitors' fees)		
19	Other payments (details and continuation on a spare sheet if necessary)		
20	Payments as Agent		
21	Total Expenditure / Payments		
22	Receipts less Payments + or (-)		
23	Unrealised gains + or losses (-) on investments		
24	Change in resources + or (-)		
25	Balances brought forward at 1 January (=c/fwd at previous 31 Dec)		
26	Balances carried forward at 31 December (total 1)*		
Held as:			
27	Investments		
28	Debtors and prepayments		
29	Meeting's cash in cheque accounts at bank and in hand		
29a	Cash held that is still owed as agent		
30	Deposit accounts		
31	LESS Creditors and accruals (due within one year)		
32	LESS Creditors (due later than one year)		
33	Total assets less liabilities (total 2)*		

***Total 1 must equal Total 2**

Local Meeting

page 2

Support Costs. A part of expenditure, support costs are divisible between 'Cost of generating income' and 'Quaker purposes'				
	£ All support	% income generation	£ income generation	£ Quaker purposes
Repairs, decoration, etc.				
Lighting and heating				
Other divisible support costs (e.g. expenses refunded - see Note A)				
Caretaking, cleaning, gardening (if salary, tax & NI paid, see Note B)				
Water/sewerage				
Subtotals of support costs (for entry above)				

Note A**Trustee Expenses**

Expenses refunded to trustees acting as such must be noted here as well as being included in Payments / expenditure.
For this LM the amount was:

£

Note B

Salary and On-costs must be stated here as well as being included in Payments / expenditure.

Salary (gross, before PAYE):

£

Employer's National Insurance

£

Employer's pension contribution

£

Notes on the *pro forma* for collation

Numbers relate to the lines in the table. Throughout please note that VAT should be included within the items to which it relates.

Please read the notes all through carefully, especially if you are an experienced treasurer. Some terminology is changing and the way of recording entries may need adjustment compared with previous years in order to comply with SORP 2005.

line

2. Collections for causes outside the Meeting, whether Quaker or non-Quaker, that have passed through your local meeting account unchanged, e.g. without Gift Aid claim, should go into 'Receipts as Agent' in line 9 and be balanced by 'Payments as Agent' in line 19.
4. Sales would include bookstalls, etc. that the meeting runs in order to make money. For such, the cost of books, etc. is recorded amongst 'Cost of generating income', line 12. If the books are stocked and sold for Quaker purposes, e.g. copies of 'Advices and Queries', the transactions are included in lines 6 for income and 14 for costs.
7. Whilst contributions from **individuals** are included in line 1, what you get from **other meetings** within the AM goes in here. Such receipts need to be recorded as transfers between meetings as they do not affect the collated income or expenditure of the AM as a whole.
9. Transactions 'as Agent' are normally collections or contributions that are to be passed on to another charity – to be balanced by payments made to that charity for the same amount. If at the end of the year you have not paid on all your 'Receipts as Agent' then the amount owed should be included in line 29a (see p. 86).
- 13,16 Support costs, analysed in a table on the second page of the *pro forma*, are to be divided between 'generating income' and 'Quaker purposes' mainly based on a rough guess of the proportion of the time the meeting house is used for income generation (hirings) compared with that for use by Quakers. For instance if Quakers use it for about 12 hours and hirers for about 11 to 13 hours in a typical week that's about half each so you would put 50% in the '% income generation' column and divide the amounts accordingly.
14. Donations to bodies outside the LM, e.g. BYM or The Retreat, are not an essential part of the cost of running the meeting and may be left out of the assessment of reserve levels.
17. As with receipts, any payments you have made from LM funds to meetings etc. within the AM would be recorded separately to avoid their inclusion in collated expenditure.
18. 'Governance costs' comprise audit fees and solicitors' fees paid for professional services required for the trusteeship of the meeting.
23. 'Unrealised gains + or losses (-) on investments': if investments have been disposed of, an additional line will be needed for 'Realised gains + or losses (-) on investments'
28. **Debtors** = money definitely *owed* to the meeting, e.g. for hiring that has happened towards the year end and not yet been paid for. Charges paid in advance for a gathering are an example of a **prepayment**. The meeting is better off because of their value.
- 29+29a The amount written in for the bank should be your cash-book balance as if all cheques written had been presented. Your reconciliation with the amount shown on the bank statement will explain the difference to your examiner of accounts.
- 31-32 **Creditors** include money *owed by* the meeting, e.g. for a bill that has not yet been paid; you include the amount to be paid in the appropriate expenditure line total, too. Other liabilities incurred, such as for work done or services supplied but not yet charged, are **accruals** and are also included both here and in the relevant expenditure line. Another frequent type of creditor is the hirer who has paid in advance. You have correctly put in the money as a receipt but need to include the unexpired value to the hirer in the creditor line.

Note A relates to '**general expenses**' paid to trustees. The refund of their out-of-pocket expenses in buying things for the meeting **does not count**.

Note B relates to employees who are paid a salary or wages on a regular basis but not to casual work paid for on invoice from a service provider and with no liability for deduction of tax or national insurance. Many Local Meetings will not have anything to record here.

Appendix 3 Examination or audit

Appendix 3a Check-list for examination/audit for year

This list is only a guide: not all may apply in a particular case.

- | | | |
|----|--|-----|
| 1 | The cash analysis books are fully written up | [] |
| | Receipts and payments are all analysed into the correct columns | [] |
| | The columns are all totalled, and cross-cast for the whole year | [] |
| 2 | Monthly bank reconciliations for each cheque account | [] |
| | Copy of the bank reconciliations for each cheque account at the end of the previous year | [] |
| | Bank reconciliations for all other accounts showing the true (adjusted) balance at the start and at the end of the year (or photocopies of passbooks) | [] |
| | All the bank statements for each account for the whole year | [] |
| 3 | Bank paying-in books (start a new one for the new year) | [] |
| | Cheque book stubs (remove from current book, staple together and label) | [] |
| 4 | Invoices/vouchers to support all bank payments, numbered or in date order | [] |
| | All documents relating to bank receipts, in date order | [] |
| 5 | The petty cash analysis book is fully written up | [] |
| | Petty cash is correctly analysed, totalled, and cross-cast | [] |
| | Written confirmation from another Friend that the actual amount of cash in the box agrees with the balance as shown in the petty cash book | [] |
| | All petty cash vouchers/receipts are filed in date order | [] |
| 6 | Salary records for each employee (e.g. wardens) showing: date employment commenced, salary scale, tax and NI deductions, tax code, and date of leaving, if relevant (photocopy of P11 is sufficient) | [] |
| | Records of any statutory sick or maternity pay (photocopy of P11) | [] |
| | Any form P45 given to you by a new employee | [] |
| | Copy of the Employers Annual Statement form P35 | [] |
| | Any change of tax codes | [] |
| | Record of all tax and NI paid to the Inland Revenue | [] |
| 7 | List of debtors (people who owed you money, not paid by the end of the year) | [] |
| | List of creditors (people to whom you owed money, not paid at the end of the year, for goods or services received or contracts entered into) | [] |
| 8 | Minutes of Meeting of AM, LM, or Finance and Property Committee, as appropriate | [] |
| | Names of your Meeting's Clerk(s) and Treasurer; with names of all trustees or members of a Finance and Property Committee (include dates of service started or ended during the year) | [] |
| 9 | Up to date register of fixed assets (e.g. investments and investment properties), with estimated values | [] |
| 10 | Previous year's accounts are available to the examiner / auditor | [] |
| 11 | Reports for the current and previous years are available to the examiner / auditor | [] |

Appendix 3b Independent examiner's unqualified report

I report on the accounts of Meeting for the year ended
31 December which are set out on pages to

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed.

It is my responsibility:

- o to examine the accounts under 145 of the 2011 Act;
- o to follow the procedures laid down in the General Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- o to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below. *[I have not reviewed the accounting records of the individual meetings, but have relied on the independent examinations conducted on these records.]

Independent examiner's statement

In connection with my examination, no matter has come to my attention:

(1) which gives me reasonable cause to believe that in any material respect the requirements:

- o to keep accounting records in accordance with section 130 of the 2011 Act; and
- o to prepare accounts which accord with the accounting records and comply with the accounting requirements of the 2011 Act

have not been met; or

(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

.....
Examiner's name and qualifications

.....

.....
Examiner's address

Signed

Date:

*The words in square brackets are to be deleted when inapplicable

Appendix 4 Understanding BYM finances

The sources and uses of BYM funds

Britain Yearly Meeting receives income from *contributions from members and meetings, legacies, grants from outside bodies, interest on investments, contributions from the BYM Hospitality Company and generated sources*. The income supports the centrally managed work of BYM. In 2010 the expenditure totalled £8.6 million.

Despite the continuing good work of many people – treasurers, collectors, committees and staff – *contributions income* from Friends and meetings in the twelve years from 1999 to 2010 remained approximately constant in amount at about £2 million. Taking account of inflation, this represents a decline in real value.

Legacy income (which also encompasses gifts over £20,000) is much less predictable. Because a relatively conservative approach is used to predict the expected income, in most years the income from legacies exceeds, or meets, the budget. The total averages about £1.5 million per year. Occasionally, as in 2010, one or two large legacies lead to income well above the budgeted legacy figure and legacy income then surpasses contribution income.

About £1 million of income is received each year in successful *grant applications* to charitable foundations, certain government departments, and other institutional benefactors, often for specific pieces of work. The equivalent of one full-time staff role is spent on preparing detailed proposals for grants, and maintaining good relations with grant sources.

Income from *investments* consists of rental income from properties and dividend income. This is a relatively stable source and produces about £1 million per year.

The generated income from the sale of various services, such as the hiring of rooms, book sales, conferences, etc, earns over £2 million each year. The associated support costs, though covering much of this income, contribute substantially to the overhead costs of running Friends House.

Britain Yearly Meeting carries out its charitable activities under four main headings.

1. *Sustain Faith Relations*. This is defined in *Quaker Faith & Practice* 8.02a. During 2010 we spent £365,000 on sustaining Faith Relations. This figure includes the holding of Yearly Meeting, the work of Quaker World relations Committee, the work of Quaker Committee for Christian and Interfaith relations as well as grants to other Quaker bodies.
2. *Support Meetings*. This is defined in *Quaker Faith & Practice* 8.02b. During 2010 we spent £1,372,000 on supporting Quaker Meetings round the country. This figure includes work with prison ministers, work with children and young people, the work of Friends Trusts Ltd as well as grants given to meetings from the Meeting Houses Funds.
3. *Promote Quakerism*. This is defined in *Quaker Faith & Practice* 8.02c. During 2010 we spent £1,598,000 on promoting Quakerism. This includes outreach, the work of Swarthmoor Hall, development of the website as well as maintaining and making available the extensive archives in the library.
4. *Witness through action*. This is defined in *Quaker Faith & Practice* 8.02d. During 2010 we spent £2,150,000 on witness work. This includes overseas work in former Yugoslavia, Uganda, Israel and Palestine as well as working to reduce the re-offending rate of sex offenders and giving grants to needy children.

BYM investments and reserves

The Trustees' Annual Report & Financial Statements includes a balance sheet showing the current value of land and properties owned by the yearly meeting. The properties are re-valued every five years and depreciated each year. The balance sheet also gives the value of BYM's *investments* on the stock market on the 31 December of the relevant year. The rise or fall in value of these investments over the year may be large enough to have a significant effect on

whether the Yearly Meeting records a surplus or a deficit, even though ordinary income for that year will have been about the same as expenditure.

The Yearly Meeting has a Reserves Policy which aims to lessen the risk of not achieving enough income in any year by keeping readily available financial reserves equivalent to 6 months of ordinary expenditure. Finance & Property Committee (FPC), a subcommittee of the trustees, regularly reviews the actual amounts held.

Availability of reserves

Not all reserves are available for all purposes. Some have been set aside by FPC to meet certain agreed commitments – these are *Designated* funds. Some have been set aside to meet the wishes of the donor – these are *Restricted* funds. Also, *Endowment* funds will have been given on the condition that the capital is invested and only the interest spent (see 3.6, 'Funds: Unrestricted, Restricted and Endowment').

There are *complex inter-relationships* between income and expenditure items, requiring good financial management. The patterns of income and expenditure are monitored monthly by Management Meeting and FPC. BYM Trustees receive regular finance reports.

BYM Trustees and Meeting for Sufferings

Under arrangements agreed by Yearly Meeting in 2006, BYM Trustees have overall responsibility for the finances of the centrally managed work of Britain Yearly Meeting. Meeting for Sufferings is the body responsible for setting the long-term direction of the work and witness in the yearly meeting. This is currently expressed in *A Framework for Action 2009-2014*, which is used to develop the annual operational plans through which the work is managed. Meeting for Sufferings has strong links to local meetings through the representatives and can act on behalf of the yearly meeting between sessions. All the BYM Trustees are *ex-officio* members of Meeting for Sufferings. As far as possible, the financial resources of Britain Yearly Meeting are pooled under a common fund principle. This enables finances to be applied effectively where most needed in response to the Framework and to the Operational Plan. (The main bank account, however, is called Britain Yearly Meeting Fund.)