

# Receipts and payments accounts for smaller charities

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How to prepare receipts and payments accounts



## The Charity Commission for Northern Ireland

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

### Our vision

To deliver in partnership with other key stakeholders in the charitable sector “a dynamic and well governed charities sector in which the public has confidence, underpinned by the Commission’s effective delivery of its regulatory role.”

Further information about our aims and activities is available on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

### Equality

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### Online or in print

If you are viewing this document online, you will be able to navigate your way around by clicking on links either within the contents page or text.

We have produced a glossary that provides further information, definitions and descriptions of some key terms. The words in **bold green type** indicate words that are found in the glossary towards the end of this document. If you are reading the document online you can click on the word and it will link you to the definition in the glossary. The words in *blue italics* indicate other guidance or databases.

Please check our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk) to make sure you’re using the latest versions of forms and guidance.

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## Section 1: Overview

All charities must be aware of their legal requirements when preparing a charity's financial statements, the trustees' annual report and having these documents reviewed or audited. The Charity Commission for Northern Ireland (the Commission) has developed a suite of guidance to help charities understand their legal requirements. For help understanding which guidance documents apply to your charity you should read [ARR01 Charity reporting and accounting: guidance summary](#).

All charity trustees should begin by reading [ARR02. Charity reporting and accounting: the essentials](#). It is important that charity trustees read this guidance first as it provides information on the new accounting and reporting framework in place for registered charities from 1 January 2016, and an overview of The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. It also includes an important section on the requirement for all charities to have their accounts independently examined or audited.

The full list of accounting and reporting guidance includes:

[ARR01. Charity reporting and accounting: guidance summary](#)

[ARR02. Charity reporting and accounting: the essentials](#)

[ARR03. Receipts and payments accounts](#)

[ARR04. Accruals accounts](#)

[ARR05. How to complete the annual monitoring return](#)

[ARR06. Charity reporting: Interim arrangements and the annual monitoring return](#) – this guidance is no longer in use.

[ARR07. Independent examination of charity accounts: examiner's guide](#)

[ARR08 The trustees' annual report and public benefit reporting](#)

This document [ARR03 Receipts and payments accounts](#) is aimed at smaller charities.

**You should read this guidance if you are a small charity that is not a company and you qualify to prepare receipts and payments accounts. Generally, this applies to charities with gross income of £250,000 or less. It provides detailed guidance on the new legal requirements and suggested formats for receipts and payments accounts. This guidance should be read alongside [ARR08 The trustees' annual report and public benefit reporting](#)**

## Section 2: About this guidance

### Who does this guidance apply to?

This guidance is aimed at **charity trustees**, who may also be referred to by other terms, such as trustees, members of management committees, or directors of **charitable companies**, as well as anyone acting on behalf of a charity, for example a helper group, solicitor, accountant, agent or adviser.

The guidance applies to all types of charity, for example, charitable companies and charities that are not companies, such as unincorporated associations, industrial and provident societies and trusts.

### What does this guidance cover?

This guidance covers the statutory requirements and suggested formats for registered charities in relation to producing a set of **receipts and payments accounts**. The requirements within this guidance apply broadly to charities that are not companies that are registered with the Commission and have an annual income of £250,000 or less.

Please note that these requirements will apply for your first full financial period beginning on or after 1 January 2016, **or** your date of registration with the Commission, if later. If you are in any doubt, the guidance below will assist you in identifying which requirements apply to you.

If you are a registered charity you must ensure your charity accounts and reports comply with the new accounting and reporting regulations. These apply to your **first full** financial year beginning on or after:

- 1 January 2016 **or**
- The date of registration with the Commission if later than 1 January 2016.

### What does this guidance not cover?

This guidance does not provide a full overview of the accounting and reporting framework based on The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015, including the requirement for charities to prepare a trustees' annual report and have their accounts and reports reviewed or audited. It also does not cover the accounting and reporting

requirements for charities that must prepare **accruals accounts**. This information is covered in other guidance documents, available on the Commission's website, which make up the suite of accounting and reporting guidance.

Accounting and reporting requirements for investment funds, organisations classified as **Section 167 charities**, and charities that have been linked by the Commission, for example **special trusts**, are not covered in this guidance. The reporting framework that applies to these types of charities will be set out at a later stage.

### What will be published?

All charity accounts and reports will be published on the charity's entry on the online [register of charities](#). The register will also display the compliance status of registered charities in relation to annual reporting. When a charity submits their annual reporting information within 10 months from the end of the reporting period, their entry on the register will display as 'Up-to-date'. However if a charity does not file their annual reporting information on time this will be displayed on the register as 'in default'.

The [register of charities](#) will also display some information provided through the annual monitoring return. Further information on what will be published is included in the Commission's [ARR05 How to complete the Annual monitoring return](#) guidance. For information on the Commission's approach to publishing decisions refer to the [Publishing our decisions](#) policy.

### What are legal requirements and best practice?

In this guidance, where we use the word '**must**' we are referring to a specific legal or regulatory requirement. We use the word '**should**' for what we regard as good practice, but where there is no specific legal requirement.

Charity trustees should follow the good practice guidance unless there is good reason not to do so. For example, registered charities **must** apply the full accounting and reporting regulations to their accounts and reports prepared for the first full financial year beginning on or after 1 January 2016, **or** their date of registration with the Commission, if later. Charities in the process of registering, or yet to be called forward for registration, **should** plan in advance for complying with the full accounting and reporting regulations. This will help them to be prepared for their annual reporting obligations following registration.

## Charity legislation

References in this document to 'the Charities Act' are to the **Charities Act (Northern Ireland) 2008**.

References in this document to 'the accounting and reporting regulations' are to [The Charities \(Accounts and Reports\) Regulations \(Northern Ireland\) 2015](#).

References in this guidance to the 'annual return regulations' are to [The Charities \(Annual Return\) Regulations \(Northern Ireland\) 2015](#), prescribed by the Charity Commission for Northern Ireland.

## Key terms

The following are some key terms you may find useful when reading this guidance. These, and other terms, are also listed in a glossary at the end of this guidance. Please familiarise yourself with each of the terms below. Even if you are a small charity you may, at some time in the future, for example due to an increase in income, be required to prepare accruals accounts.

**Please note these terms are not listed in alphabetical order but in the logical sequence in which a charity will encounter them.**

**Financial year (period):** A charity's financial year or period is usually set out in its governing document. This will normally be 12 months but, in certain circumstances, it can be shorter or longer. For charities that are not companies, it can vary but cannot be more than 18 months. Different rules apply for charities that are companies. Additionally, charities that are grant aided schools must not have a financial period of more than 15 months.

**Receipts and payments accounts:** This is a form of accounting that consists of a summary of all monies received and paid via the bank and in cash by the charity during its financial year, along with a statement of balances. **Company law** requirements mean that a charitable company cannot prepare its accounts on a receipts and payments basis.

**Accruals accounts:** Refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the methods and principles of the applicable Statement of Recommended Practice (SORP). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or probability about income, and expenses, when the liability is incurred. This is not necessarily the same date on which money is received or paid

out. Accruals accounts prepared in accordance with the Charities SORP must contain a balance sheet showing the charity's financial position at the end of the year, a statement of financial activities (SoFA), a cashflow statement (if applicable) and explanatory notes to the accounts. The SoFA should show all incoming resources, and resources expended during the year (and for company charities only, an income and expenditure account, except where the SoFA incorporates the income and expenditure account).

**Statements of Recommended Practice (SORPs):** Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements in light of the special factors prevailing or transactions undertaken in a particular sector and their application is relevant to the 'true and fair' view required of charity accounts. For general charities this is the Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102).

**Applicable SORP:** Under charity law, general charities must apply The Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102). Special case charities must apply, as relevant, either the [Statement of Recommended Practice: Accounting for Further and Higher Education](#) or the [Housing SORP 2014: Statement of Recommended Practice for registered social housing providers](#).

**Charities SORP:** This means Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator on 16 July 2014, also known as the Charities SORP. It provides a comprehensive framework that enables charities to adopt a consistent interpretation of UK financial reporting standards (FRS) as well as account for those transactions that arise when undertaking charitable activities. The Charities SORP applies to all general charities that prepare accounts on an accruals basis.

**General charity:** This means any charity other than a special case charity or an investment fund.

**Relevant financial year:** This means the financial year in respect of which the charity accounts or group accounts are prepared.

**Previous financial year:** This means the financial year immediately preceding the current financial year.



**Gross income:** The Charities Act defines gross income to mean the gross recorded income from all sources including special trusts. For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets.

**Independent examination:** An independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person. Depending on the size of the charity an independent examination may be carried out by either an independent person with the requisite ability and experience or by a person who is a member of one of the professional bodies listed in section 65(5) of the Charities Act.

**Trustees' annual report:** A trustees' annual report is produced by the charity trustees and, along with your accounts, tells people:

- about your charity's work
- where your money comes from
- how you've spent your money in the past year.

It must also include administrative information about the charity such as where the charity is based and who the charity trustees are. Minimum requirements are set out in the accounting and reporting regulations. Charities preparing accruals accounts must also incorporate the requirements set out in the Charities SORP. Larger charities must provide more detail within the trustees' annual report than smaller charities. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit. Further information can be found in *ARR08: The trustees' annual report and public benefit reporting*.

## Section 3: Introduction to receipts and payments accounts

### 3.1 What are the legal requirements for receipts and payments accounts?

Receipts and payments accounts are created using a simple form of accounting that summarises all monies received and paid via the bank and in cash, by the charity, during its financial year.

Charities that prepare receipts and payments accounts must include **four** related documents in their accounts and reports. These are:

1. a **trustees' annual report** - giving details about how activities undertaken during the year have furthered the charity's purposes for the public benefit (see [ARR08 The trustees' annual report and public benefit reporting](#) for more detail).
2. a **receipts and payments account** - this should provide an analysis of the incoming and outgoing cash for the year (see section 4 of this guidance)
3. a **statement of assets and liabilities** – this should outline the charity's main assets and liabilities at the end of the year, including the cash balances at the year-end (see section 4.2 of this guidance).
4. an **external scrutiny report** – from an independent examiner or auditor (see [ARR02 Charity reporting and accounting the essentials guidance](#) for more detail).

The main differences between receipts and payments and accruals accounts are detailed below.

- In receipts and payments accounts no adjustments are made for the timing of the income or payments to bring them into line with the activities which they relate to.

For example, a charity has an agreement with their landlord to pay £12,000 rent per annum, by paying £3,000 per quarter in advance. Under receipts and payments accounts, the rent expense is only recorded when a physical payment is made. If the charity makes a payment just before the end of the financial year, because they have paid in advance, the £3,000 must be included in the current year

accounts, not the following year accounts that it actually relates to. The rent expense shown in the receipts and payments accounts for that year will be £15,000.

- The amount spent or received for the purchase or sale of fixed assets for cash would be included in receipts and payments accounts although these items should form a separate category from other items in the accounts as they do not represent resources moving into or out of the charity. Liabilities and assets owned by the charity should be shown separately on the statement of assets and liabilities. See Section 5 for further information.
- Changes in the value of assets, such as **Investments**, buildings, and **Debtors**, are not included in receipts and payments accounts. This means that receipts and payments accounts will not contain any amounts for depreciation, gifts in kind, bad debts or gains and losses on sales of investments or fixed assets.

Receipts and payments accounts are not expected to show a 'true and fair view' of the charity's financial activities and state of affairs, as is required with accruals accounts. **Accounting standards**, which are primarily concerned with the presentation of a 'true and fair view', do not apply to receipts and payments accounts. However, receipts and payments accounts must give sufficient detail to enable a reader to gain an appreciation of the transactions of the charity and of any surplus or deficit. This means:

- receipts and payments accounts should be prepared in a consistent way from year to year and
- if valuations are provided in the statement of assets and liabilities, they should be relevant, reliable and understandable.

### 3.2 Can my charity prepare receipts and payments accounts?

Normally, a charity's **gross income**, and the nature of the organisation, will determine the type of accounts the charity must prepare. If your charity is not a company, and has an annual gross income of £250,000 or less, then it can usually prepare receipts and payments accounts. This is the case unless there is a requirement to prepare accruals accounts as a result of:

- requirements within the governing document of the charity
- any enactment that says the organisation must prepare accruals accounts (for example, the Companies Act)

- a decision made by trustees to prepare accruals accounts.

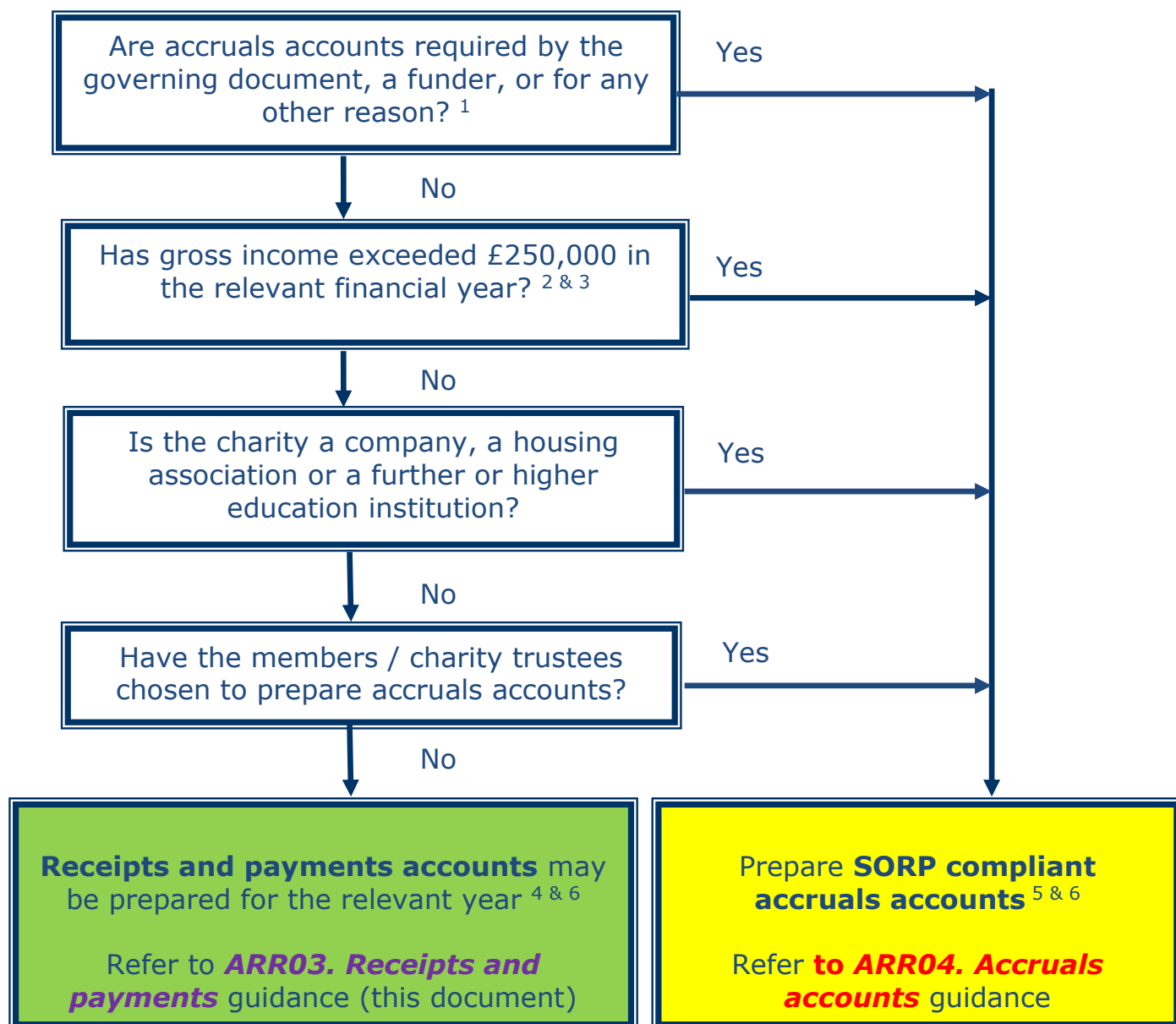
There are some occasions where, although the law allows receipts and payments accounts to be prepared, it may be preferable to prepare accruals accounts. This is usually because accruals accounts can provide a clearer picture of the charity's activities and financial affairs than receipts and payments accounts. The following are examples of such occasions.

- Donors require accruals accounts to be prepared as a condition of their grant.
- Trustees need to explain more about the use of their resources than simply through cash movements, for example, when
  - a charity has significant non-cash assets, or fixed assets which the trustees would like to value and depreciate in the accounts or
  - a charity has received significant non-cash donations (gifts in kind or valuable gifts of services).
- The charity, despite having an income under the threshold, is growing in size or complexity, for example, the charity has begun to use a trading subsidiary or is involved in joint operations with other charities.
- The charity has significant receipts or payments arising from asset and investment sales and purchase, and the trustees consider that the preparation of accruals accounts would explain these transactions more clearly.
- The charity carries out its activities mainly by making programme related investments by way of equity or loan, rather than by making grants to beneficiaries, and the trustees consider that the preparation of accruals accounts would explain these transactions more clearly.

Charities that are not companies and are not yet registered with the Commission, or that are preparing accounts for a financial year that begins before 1 January 2016, must still keep proper accounting records and prepare a receipts and payments or an income and expenditure account under the Charities Act (Northern Ireland) 1964.

Charities that are not permitted to prepare receipts and payments accounts must prepare accruals accounts in accordance with the relevant SORP. The flowchart at Figure 1 on the following page sets out the considerations when determining which type of accounts you must prepare.

**Figure 1 – Preparing accounts**



**Notes**

1. These rules do not apply to grant aided schools under regulation 5(3) of the Charities (Accounts and reports) Regulations (Northern Ireland) 2015.
2. Charities must be registered with the Commission for the form and content regulations to apply.
3. These rules apply to registered charities for financial years beginning on or after 1 January 2016 or date of registration with the Commission if later.
4. Under section 64 (3) of the Charities Act (Northern Ireland) 2008.
5. Under regulation 8,9 or 10 of The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.
6. Charities should also be aware that, depending on their particular circumstances, the accounts they prepare may also need to comply with other legislative requirements.

## Section 4: What must be in the receipts and payments accounts?

While there are no statutory requirements for the format of receipts and payments accounts, charities should consider how best they can report what readers of the accounts might want to know.

### 4.1 The receipts and payments account records and summarises cash movements only

Receipts and payments accounts are statements that summarise the movement of cash into and out of the charity during the financial year. In this context, 'cash' includes cash equivalents such as money held in a bank or building society account.

The accounts should not report all individual receipts and payments, as would be recorded in a cash book, but should summarise similar items. For example, all voluntary donations received should be added together and shown as one entry and all payments for one activity or cost category can be shown as one entry. Significant items such as a large grant may, for clarity, be shown separately in the accounts or explained in a note to the accounts.

The accounts should clearly identify three main types of transactions which help the readers of the accounts to see how the charity has received income, paid out money and made transfers. These are detailed below.

- **Receipts** - income received to support the charity's activities.
- **Payments** – money paid out by the charity in undertaking its activities.
- **Transfers** - transfers to and from assets and investments, and from one type of fund to another, for example, from an **unrestricted fund** to a **restricted** fund in order to meet a deficit on a project.

You should show receipts or payments received from the sale or purchase of assets and/or investments on a separate row. Receipts and payments from the disposal or purchase of assets and investments do not increase or decrease the assets of the charity, rather, they convert them from one form to another. Receipts from the sale of fixed assets and/or investments should not be included in the gross income calculation for threshold purposes.

### 4.1.1 Accounting for separate funds

Trustees must be able to account separately for each unrestricted, restricted, and endowment fund that they manage. You can identify these funds by reviewing the definitions below.

- **Unrestricted funds** are funds that the trustees are able to spend for any of the charity's purposes.
- **Restricted income** funds are funds that the trustees can only spend on particular purposes, as set out by a donor or in an appeal document, that are narrower than the charity's purposes.
- **Endowment fund**, in simple terms, refers to a gift of property or money given to a charity as a restricted fund. Trust law requires a charity to invest the assets of an endowment, or to retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income. The income generated from endowment funds held for investment is then used to further the purposes of the charity. Information on endowment funds and the rules which apply when preparing the accounts of an endowment fund which consists of investments are available in the next section.

While you must be able to account separately for each fund you manage, a separate bank account is not required for each, provided that the trustees can identify the receipts and payments of each fund and the related assets and liabilities. When preparing year-end accounts, trustees may either prepare a separate receipts and payment account for each fund they manage or combine all types of fund in a single statement showing each type of fund in a separate column.

The [receipts and payments toolkit](#) adopts an approach that allows trustees to prepare a single statement covering all categories of funds. An example of this is provided at Figure 2.

### 4.1.2 Endowment funds

There are two forms of endowment, permanent and expendable, each of which is explained below:

- **Permanent endowment** is a type of endowment fund where the trustees cannot spend the capital. These funds are normally held indefinitely.

- **Expendable endowment** is a type of endowment fund where the trustees can, under certain conditions, spend the capital as if it were income.

Where a charity has an endowment fund which consists of investments then the following rules apply when preparing the accounts.

- Receipts generated by endowment fund assets (for example, dividends, interest or rent) should not appear in the endowment funds column but in the unrestricted funds column, or restricted funds column if the receipt can only be applied for a restricted purpose.
- Receipts from the disposal of investments, or payments to acquire new investments, should be included within the endowment column.
- Payments made for managing the fund can be taken from the capital of the investments in the fund. However, the **investment management costs** must not be paid from the endowment capital if the governing document of the endowment says they cannot or there are insufficient capital funds available in the endowment to meet such costs.

In these cases investment management costs may need to be charged against unrestricted funds.

#### 4.1.3 Classification by activity or nature

Receipts and payments can be classified in two ways, by 'nature' or 'activity':

**Classification by nature – 'natural' classification:** This is where receipts and payments are categorised according to the nature of the income or expense. Examples include, but are not limited to:

- payments shown as rent, travel and subsistence, salaries and wages, telephone or electricity
- receipts classified as donations, trading income, rental income or proceeds from activities such as jumble sales.

**Classification by activity – 'activity' classification:** This is where receipts and payments are classified by the activity for which they were received or spent. An activity is a project, programme of work, or action that furthers one or more of a charity's purposes, or is undertaken to raise funds for the charity. Receipts are described according to the activity that produced the income for the charity.



Payments are described by the costs incurred in pursuit of a defined purpose, for example, provision of services to the elderly or counselling. This is achieved by adding together all the costs, for example:

- for payments this means adding together all the costs of generating funds, charitable activities and governance, for example, salaries, rent, or travel, relating to that specific activity.
- for receipts this means adding together all the income from generated funds and **receipts from charitable activities**.

In most cases, it will be clear which activity generated the income or expenditure. Examples include, but are not limited to:

- a charity running a care home could use the description 'residential care fees' within 'income from charitable activities' and 'residential care costs' under 'expenditure on charitable activities'
- a charity selling donated goods through a shop could use the description 'shops' under 'income from other trading activities' and 'expenditure on raising funds'
- an arts charity providing a mix of paid for and free services could use the description 'admission fees for galleries and exhibitions' within 'income from charitable activities' and 'operation of art gallery and touring exhibitions to schools and community' under 'expenditure on charitable activities'
- an endowed grant-making charity, mainly making grants to advance education, could classify this income under 'investment income' and 'grants to education and research institutions, student bursaries and other grants' under 'expenditure on charitable activities'.

The receipts and payments accounts at Figure 2 provide an example of activity classification. For further details on activity and natural classification for the receipts and payments accounts please see the introductory notes that accompany the [receipts and payments toolkit](#) on the Commission's website.

You can prepare your charity's accounts using either method of classification. Classifying receipts and payments by their nature is likely to be more straightforward for charities when preparing their accounts. However, classifying receipts and payments by activity should help readers of the accounts understand how the charity's expenditure fulfils its purposes.

#### 4.1.4 Apportionment

Sometimes payments are made, or receipts received, for more than one activity, for example, stationery that is purchased and used for both fundraising and charitable purposes. Equally, payments may be made, or receipts received, for more than one fund, for example, a payment is partly for routine property maintenance and partly for an improvement funded by a restricted grant.

In such cases, the payment should be 'apportioned' on a reasonable basis and charged to the activities or funds to which that payment relates. That is, a proportion of the payment is allocated to each activity or fund based on a reasonable estimate of how it is shared out.

If payments are analysed using an 'activity' classification then it is likely that payments will often require apportionment. For example, an administrator role incorporates acting as both a fundraiser and an advice centre staff member and is paid a salary of £18,000 per annum. In this example, an estimate should be made of a reasonable cost to be charged to each activity. If the administrator shares time equally between the two roles, then it would be reasonable to share the costs equally between the two activities, £9,000 to fundraising and £9,000 to charitable activities.

Where a single payment or receipt relates to different funds, for example, restricted and unrestricted, this must also be apportioned reasonably between the respective funds in the charity accounts.

**Figure 2: Example receipts and payments accounts**

**Statement of Receipts and Payments – Year Ended 31 March 2017**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	<b>Total 2017 £</b>	Total 2016 £
<b>Receipts</b>					
<b>Voluntary Receipts</b>					
Donations & Gift Aid	629	-	10,000	<b>10,629</b>	398
Grants	1,000	1,500	-	<b>2,500</b>	1,000
Legacy	150	-	-	<b>150</b>	-
Fundraising appeals	1,231	-	-	<b>1,231</b>	1,802
Bank Interest	147	-	-	<b>147</b>	231
From Charitable Activities					
Membership Fees	10,763	-	-	<b>10,763</b>	9,904
Summer Outing	1,478	-	-	<b>1,478</b>	1,577
	<b>15,398</b>	<b>1,500</b>	<b>10,000</b>	<b>26,898</b>	<b>14,912</b>
<b>Payments</b>					
Cost of Fundraising	389	-	-	<b>389</b>	207
<b>Cost of Charitable Activities</b>	<b>14,457</b>	-	-	<b>14,457</b>	13,942
Grants & Donations	100	-	-	<b>100</b>	100
Governance Costs	260	-	-	<b>260</b>	177
<b>Asset and investment purchase</b>					
Purchase of Equipment	639	1,171	-	<b>1,810</b>	401
<b>Total Payments</b>	<b>15,845</b>	<b>1,171</b>	<b>-</b>	<b>17,016</b>	<b>14,827</b>
<b>Net receipts/(payments)</b>	<b>(447)</b>	<b>329</b>	<b>10,000</b>	<b>9,882</b>	<b>85</b>
Transfers to/(from) funds	(171)	171	-	-	-
<b>Surplus/(deficit) for the year</b>	<b>(618)</b>	<b>500</b>	<b>10,000</b>	<b>9,882</b>	<b>85</b>
<b>Reconciliation 31.3.17</b>					
Cash at bank & in hand 31.3.16	4,192	-	-	<b>4,192</b>	4,107
Surplus/(deficit) this year end	(618)	500	10,000	<b>9,882</b>	85
Cash at bank & in hand 31.3.17	<b>3,574</b>	<b>500</b>	<b>10,000</b>	<b>14,074</b>	<b>4,192</b>

## 4.2 The statement of assets and liabilities

The charity's accounts must include a statement of assets and liabilities in addition to the receipts and payments account. This should outline the charity's main assets and liabilities at the end of the year, including the cash balances at year-end.

The statement of assets and liabilities is in place of a balance sheet, which is required for accruals accounts, and should provide sufficient detail to give a broad understanding of the type of assets controlled by the trustees and any material **liabilities** that need to be met from the funds.

There is no need to list all individual assets such as each chair and table or each individual holding for listed investments, rather, similar assets can be grouped together. However, the list should be sufficient to identify the main categories of asset held by the charity, for example, office furniture. If assets belong to a restricted or endowment fund you should note this on the statement.

A description of assets held may be sufficient unless an amount or value is needed to provide a meaningful understanding of the asset. For example, in the case of cash and other monetary assets, such as building society deposits, the cash value would be given.

Trustees should take a reasonable approach to a valuation. Possible approaches would be using the assets' cost or insurance value or, for listed shares, the market value. Professional valuations are not required, but if one is available, perhaps as a result of an insurance survey, then this may be used.

An example of a Statement of Assets and liabilities is provided at Figure 3 on the following page. The Commission has also published supporting guidance, examples, and a template that gives further details on how you might present a statement of assets and liabilities in your charity's accounts. Guidance can be found in the annual reporting section of the Commission's website: [Annual reporting](#). The [receipts and payments toolkit](#) template provides spaces to give details of each class of assets and liabilities held.

### Figure 3: Example Statement of assets and liabilities

#### Statement of assets and liabilities – Year Ended 31 March 2017

	Unrestricted Funds	Restricted Funds	Endowment Funds	<b>Total 2017</b>	Total 2016
	£	£	£	£	£
<b>Funds Reconciliation</b>					
Cash at bank & in hand 31.3.16	4,192	-	-	<b>4,192</b>	4,107
Surplus/(deficit) this year end	(618)	500	10,000	<b>9,882</b>	85
<b>Cash at bank &amp; in hand 31.3.17</b>	<b>3,574</b>	<b>500</b>	<b>10,000</b>	<b>14,074</b>	<b>4,192</b>
<b>Bank &amp; Cash Balances</b>					
Bank Deposit Accounts				<b>13,500</b>	3,000
Bank Current Account				<b>535</b>	1,148
Cash in Hand				<b>39</b>	44
				<b>14,074</b>	<b>4,192</b>
<b>Other Assets (Unrestricted Fund)</b>					
Play equipment (estimated value)				<b>750</b>	600
Wheelchairs (at cost)				<b>1,171</b>	-
Membership fees due				<b>110</b>	65
Gift Aid accrued on donations at year end				<b>101</b>	78
				<b>2,132</b>	<b>743</b>
<b>Liabilities (Unrestricted Fund)</b>					
Village Hall (hire fee owed)				<b>307</b>	116

Approved by the trustees on 20 June 2017 and signed on their behalf by:

.....  
**Nicola Brown**  
**Chair**

.....  
**Raymond Davies**  
**Treasurer**

### 4.2.1 Gifts of assets and services

Gifts of assets and services are not included in receipts and payments accounts. Gifted assets should, however, be included in the statement of assets and liabilities. There is no requirement to value volunteers' time, although trustees may refer to the contribution made by volunteers in the **trustees' annual report** or in a note to the accounts.

### 4.2.2 Notes to the accounts

Notes to the accounts are not required as part of receipts and payments accounts, however, if notes would help the reader to have a better understanding of the accounts, they should be added. Examples of notes that may be included are:

- information about significant non-monetary resources, for example, donated goods and services
- a brief note on transactions with **related parties** and trustees
- details of any remuneration or expenses paid to a trustee or related party
- details of the movement of particular restricted funds which may be useful to donors who stipulated how money was to be spent.

Alternatively, these matters may be included in the trustees' annual report if separate notes to the accounts are not prepared.

## 4.3 Help preparing receipts and payments accounts

In addition to this document, the Commission has produced supporting guidance which is available on our website to help you prepare receipts and payments accounts. This includes the following.

- [Receipts and payments toolkit](#) for charities that do not wish to design their own accounts. It can also be used as a checklist for the accounts you have designed yourself.
- [Examples of receipts and payments accounts](#) including real examples of good practice receipts and payments accounts.

## Appendix 1: Glossary

Term	Definition
<b>Accounting standards</b>	Accounting standards are authoritative standards for financial reporting and are the primary source of generally accepted accounting principles (GAAP). Accounting standards specify how transactions and other events are to be recognised, measured, presented and disclosed in financial statements in a way that reflects economic reality and hence provides a true and fair view.
<b>Accruals accounts</b>	Refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the methods and principles of the applicable Statement of Recommended Practice (SORP). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or probability about income, and expenses, when the liability is incurred. This is not necessarily the same date on which money is received or paid out. Accruals accounts prepared in accordance with the Charities SORP must contain a balance sheet showing the charity's financial position at the end of the year, a statement of financial activities (SoFA), a cashflow statement (if applicable) and explanatory notes to the accounts. The SoFA should show all incoming resources, and resources expended during the year (and for company charities only, an income and expenditure account, except where the SoFA incorporates the income and expenditure account).
<b>Charitable company</b>	This is a charity which is formed and registered under the Companies Act 2006 or a charity which was already established under previous companies legislation. It is registered with Companies House. Its governing document is its articles of association and it has its own legal identity. It must be established for exclusively charitable purposes.
<b>Charities Act (Northern Ireland) 2008</b>	<p>The Charities Act (Northern Ireland) 2008 is the main piece of legislation establishing the Charity Commission for Northern Ireland and setting out its functions and powers.</p> <p>References to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008. The full content of the Charities Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a></p> <p>Not all of the sections of the Charities Act are in force yet. Details of the sections that are in force are available on the Commission's website <a href="http://www.charitycommissionni.org.uk">www.charitycommissionni.org.uk</a></p>
<b>Charity trustees</b>	These are the people who are legally responsible for the control and management of the administration of a charity. In the charity's

Term	Definition
	<p>governing document they may be called trustees, managing trustees, committee members, governors or directors or they may be referred to by some other title. Some people are disqualified by law from acting as charity trustees. These disqualifications are set out in the Charities Act and broadly include but are not limited to anyone who:</p> <ul style="list-style-type: none"> <li>• has been convicted of an offence involving deception or dishonesty, unless the conviction is a spent conviction under the Rehabilitation of Offenders (NI) Order 1978</li> <li>• is an undischarged bankrupt or has made an arrangement with creditors</li> <li>• has previously been removed as a trustee by the Commission or by the Courts</li> <li>• is subject to disqualification under company legislation.</li> </ul>
<b>Company law</b>	<p>Throughout this guidance, references to company law are to the Companies Act 2006. The full content of the 2006 Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a></p>
<b>Costs of charitable activities</b>	<p>Costs of charitable activities are all the payments made in undertaking a charity's work to deliver its charitable purposes for the public benefit and include:</p> <ul style="list-style-type: none"> <li>• grants to individual beneficiaries for charitable purposes and/or paid to charitable and other institutions</li> <li>• payments for goods/services provided to beneficiaries</li> <li>• payments for charitable activities, for example, the provision of advice.</li> </ul>
<b>Debtors</b>	<p>Persons or organisations that owe money to the charity, normally for supplies of goods or services but also for loans made and legacies.</p>
<b>Endowment funds</b>	<p>In simple terms, an endowment fund is a gift of property or money given to a charity as a restricted fund. Trust law requires a charity to invest the assets of an endowment, or to retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income. The income generated from endowment funds held for investment, are then used to further the purposes of the charity.</p>
<b>Expendable endowment</b>	<p>Expendable endowment is a type of endowment fund where the trustees have the option, under certain conditions, to spend the capital as if it were income of the charity.</p>
<b>Financial year</b>	<p>A charity's financial year or period is usually set out in its governing document. This will normally be 12 months but, in certain circumstances, it can be shorter or longer. For charities that are not companies, it can vary but cannot be more than 18 months. Different rules apply for charities that are companies. Additionally, charities</p>



<b>Term</b>	<b>Definition</b>
	that are grant aided schools must not have a financial period of more than 15 months.
<b>Gross income</b>	The Charities Act defines gross income to mean the gross recorded income from all sources including special trusts. For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets. For accruals accounts this is the income from all sources in the accounting period, including the conversion of endowment to income, but excluding: gifts of endowment, net investment gains/(losses), all revaluation gains/(losses) on retained assets not due to impairment, actuarial gains/(losses) and such other gains(losses) that are excluded by accounting standards from the calculation of net income.
<b>Investment management costs</b>	Investment management costs include the costs of: <ul style="list-style-type: none"> <li>• portfolio management</li> <li>• obtaining investment advice</li> <li>• administration of the investments</li> <li>• costs of licensing intellectual property and</li> <li>• rent collection, property repairs and maintenance charges.</li> </ul>
<b>Investments</b>	Assets that are held to generate a return by way of income, capital growth or both. Investments may include government gilts, shares, bonds and deposit accounts when held as an investment.
<b>Liability</b>	Liability is an obligation to pay for something. Liabilities include, but are not limited to, loans, creditors, and bank overdrafts.
<b>Permanent endowment</b>	The property of the charity, for example land, buildings, investments or cash which the charity trustees may not spend as if it were income. It must be held permanently, sometimes to be used in furthering the charity's purposes, sometimes to produce an income for the charity. Charity trustees can only spend or dispose of permanent endowment if they use the powers in the Charities Act that allow this or if they obtain our authority.
<b>Receipts and payments accounts</b>	This is a form of accounting that consists of a summary of all monies received and paid via the bank and in cash by the charity during its financial year, along with a statement of balances. Company law requirements mean that a charitable company cannot prepare its accounts on a receipts and payments basis.
<b>Receipts from charitable activities</b>	Consist of receipts from trading within the charity's purposes. Examples of this type of trading receipt include fees received in a playgroup, fees for advice or counselling services and the sale of

Term	Definition
	religious booklets by a religious charity. Sometimes grants received (for example from local authorities) are more like trading receipts (for example where there is a service level agreement). When this is the case, it is acceptable for grants to be included here instead of as voluntary receipts.
<b>Related parties</b>	Related parties are those parties with whom the charity has a relationship that might inhibit it from objectively pursuing its own separate interests. This will include charity trustees, those connected with a charity trustee by, for example, a close family relationship, and any other party that can exert significant influence over the operations of the charity.
<b>Restricted income</b>	Restricted income are those funds that the charity trustees are obliged to spend only on particular purposes set out by the donor or in an appeal document and these particular purposes are narrower than the charity's purposes.
<b>Section 167 charities</b>	Under section 167 of the Charities Act these are organisations which are not charities under the law of Northern Ireland, and have their main base outside of Northern Ireland, but which operate for charitable purposes in or from Northern Ireland. These organisations may be required to apply for registration with the Commission however their annual reporting obligations may be different. Section 167 institutions will not be called forward until the Department for Communities has made regulations outlining the financial statements and statements of activities which such institutions will be required to submit to the Commission. Further details will be available once the regulations are made and consulted on.
<b>Special trust</b>	A special trust means funds or property held and administered on its own separate trusts by or on behalf of a main charity for any special purposes of that charity. It follows that the objects of a special trust must be narrower than those of the main charity. Sometimes these funds are separate charities, run and administered by its own charity trustees, and at other times the funds are part of a main charity.
<b>Trustees' annual report</b>	<p>A trustees' annual report is produced by the charity trustees and, along with your accounts, tells people:</p> <ul style="list-style-type: none"> <li>• about your charity's work</li> <li>• where your money comes from</li> <li>• how you've spent your money in the past year.</li> </ul> <p>It must also include administrative information about the charity such as where the charity is based and who the charity trustees are. Minimum requirements are set out in the accounting and reporting regulations. Charities preparing accruals accounts must also</p>

Term	Definition
	incorporate the requirements set out in the Charities SORP. Larger charities must provide more detail within the trustees' annual report than smaller charities. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit. Further information can be found in <i>ARR08: The trustees' annual report and public benefit reporting</i> .
<b>Unrestricted funds</b>	Funds which the charity trustees are able to spend at their discretion for any of the charity's purposes. Unrestricted funds may also contain part of the unrestricted funds which the charity trustees have earmarked for a particular purpose; these earmarked funds are called designated funds. Such designated funds are legally part of the unrestricted funds, though they may be reported separately in the balance sheet or notes, where accruals accounts are prepared, or as part of unrestricted funds, where receipts and payments accounts are prepared.
<b>Voluntary receipts</b>	Voluntary receipts include: <ul style="list-style-type: none"> <li>• gifts, donations and appeals including legacies and bequests;</li> <li>• grants which provide core funding or are of a general nature, provided by government and charitable foundations;</li> <li>• membership subscriptions and sponsorships which are, in substance, donations; and</li> <li>• tax reclaims on Gift Aid donations.</li> </ul>
<b>W3C Standards</b>	W3C accessibility standards consist of a set of guidelines for making content accessible especially to those web users who have a disability. This standard is recognised internationally.

## Useful contacts

Association of Charity  
Independent  
Examiners (ACIE)

The Gatehouse  
White Cross  
South Road  
Lancaster  
LA1 4XQ

**Telephone:** 01524 34892

**Website:** [www.acie.org.uk](http://www.acie.org.uk)

Companies House

Companies House Northern Ireland  
Second Floor, The Linenhall  
32 - 38 Linenhall Street  
Belfast, BT2 8BG

**Telephone:** 0303 1234 500

**Website:** [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Department for  
Communities

Lighthouse Building  
1 Cromac Place  
Gasworks Business Park  
Ormeau Road  
Belfast  
BT7 2JB

**Telephone:** 028 9082 9424

**Website:** [www.communities-ni.gov.uk](http://www.communities-ni.gov.uk)

HM Revenue and  
Customs (HMRC)

HM Revenue & Customs  
Charities, Savings and International 2  
HM Revenue and Customs  
BX9 1BU  
United Kingdom

**Telephone:** 0300 123 1073

**Website:** [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities)

Northern Ireland  
Council for Voluntary  
Action (NICVA)

61 Duncairn Gardens  
Belfast  
BT15 2GB

**Telephone:** 028 9087 7777

**Website:** [www.nicva.org](http://www.nicva.org)

The Charity Tribunal

Tribunals Hearing Centre  
2nd Floor, Royal Courts of Justice  
Chichester Street  
Belfast  
BT1 3JF

**Telephone:** 0300 200 7812

**Website:** [www.courtsni.gov.uk/en-GB/Tribunals/CharityTribunal](http://www.courtsni.gov.uk/en-GB/Tribunals/CharityTribunal)

The Law Society of  
Northern Ireland

96 Victoria Street  
Belfast  
BT1 3GN

**Telephone:** 028 9023 1614

**Website:** [www.lawsoc-ni.org.uk](http://www.lawsoc-ni.org.uk)

## Useful links and guidance

*[ARR01. Charity reporting and accounting: guidance summary](#)*

*[ARR02. Charity reporting and accounting: the essentials](#)*

*[ARR03. Receipts and Payments accounts](#)*

*[ARR04. Accruals accounts](#)*

*[ARR05. How to complete the annual monitoring return](#)*

*[ARR07. Independent examination of charity accounts: examiner's guide](#)*

*[ARR08. The trustees' annual report and public benefit reporting](#)*

*[PBR1 Public benefit requirement guidance](#)*

*[CCNI EG046 Making payments to trustees](#)*

*[CCNI EG043 Equality guidance for charities](#)*

*[CCNI EG024 Running your charity](#)*

*[Receipts and payments toolkit](#)*

*[The Charities \(Accounts and Reports\) Regulations \(Northern Ireland\) 2015](#)*

*[Department for Business Innovation & Skills](#)* - publishes a number of helpful leaflets explaining the requirements of company law.

*[HM Treasury](#)* - HM Treasury guidance on the Proceeds of Crime Act 2002 and associated Money Laundering Regulations

## If you are dissatisfied with our service

The Commission is committed to delivering a quality service at all times. However, we know that sometimes things can go wrong. If you are dissatisfied with the service you have received, we would like to hear from you, and have a procedure that you can use. You will find further information on these processes in our guidance, *Making a complaint about our services*, which is on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

# Freedom of information and data protection

## Data Protection

The Charity Commission for Northern Ireland is responsible for registering, regulating and reporting on the charity sector in Northern Ireland. As the charity regulator, we are lawfully required to collect and process personal data in order to achieve our statutory objectives, functions and general duties.

Any personal data you give us will be held securely and in accordance with data protection rules and principles. Your personal details will be treated as private and confidential, and will only be retained for as long as is necessary in line with our [retention policy](#). The information will be safeguarded and will not be disclosed to anyone not connected to the Commission unless:

- you have agreed to its release,
- the Commission is legally bound to disclose the information
- the Commission regards disclosure as necessary in order to properly carry out its statutory functions

The Commission may also disclose information or personal data to other relevant public authorities where it is lawful to do so and where, for the purposes of national security, law enforcement, or other issues of overriding public interest, such disclosure is necessary.

We will ensure that any disclosure made for this purpose is lawful, fair, considers your right to privacy and is made only to serve the Commission's statutory objectives as a regulator.

When you provide the Commission with information used to carry out its functions, you are obliged to comply with section 25 of the *Charities Act (Northern Ireland) 2008* which means that it is an offence to provide information which is false or misleading. In respect of your personal data we expect any data which you give us to be truthful, accurate and up-to-date.

For further information, you may wish to read the Commission's [Privacy notice](#) which details what to expect when the Commission collects and processes personal information, including your rights in relation to that processing if we hold your information.



## Freedom of Information

*The Freedom of Information Act 2000* gives members of the public the right to know about and request information that we hold. This includes information received from third parties. If information is requested under the Freedom of Information Act we will release it, unless there are relevant exemptions. We may choose to consult with you first. If you think that information you are providing may be exempt from release if requested, please let us know.

**Charities must NOT include copies of charity bank account statements in place of, or attached to, the receipts and payments accounts submitted to the Commission. Accounts and reports submitted to the Commission will automatically display on the public *register of charities*.**

**Further information on our activities is available from:**

**Charity Commission for Northern Ireland  
257 Lough Road  
Lurgan  
Craigavon  
BT66 6NQ**

[www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

**Email:** [admin@charitycommissionni.org.uk](mailto:admin@charitycommissionni.org.uk)

**Tel:** 028 3832 0220

**Fax:** 028 3832 5943

**Textphone:** 028 3834 7639

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