

Guidance on the Preparation of Annual Accounts for a Community and Voluntary Organisation



Introduction

One of the major impacts for community and voluntary organisations in the proposed Charities Bill published in April 2007 is the obligation to file annual report and accounts. If the gross income or expenditure of an organisation exceeds €100,000 in a financial year, the Trustees/Directors (for the purpose of this document, these terms are used interchangeably) must prepare a Statement of Accounts in respect of that financial year in the format set out in the Regulations. If gross income or expenditure falls below €100,000, the Trustees may complete an Income and Expenditure Account and a Statement of Assets and Liabilities (Balance Sheet) instead of the Annual Statement of Accounts.

Although the exact structure of annual accounts is still to be established by the proposed charity Authority or Regulator, it would be prudent of organisations to use the already existing Statement of Recommended Practice:

Accounting and Reporting by Charities (SORP 2005) when preparing their accounts. This includes the Statement of Financial Activities (SoFA).

SoFA is designed to show how charitable organisations use their resources in furtherance of the objects of the organisation. It shows all incoming resources, all resources expended and reconciles all changes in funds held by the organisation. SoFA should be laid out in columns if the organisation operates more than one class of fund (e.g. unrestricted, restricted, endowment).

Unrestricted Funds are held for the general purpose of the organisation – but they have to be spent within the stated objectives. Restricted Funds have donor-imposed conditions and Designated Funds are designated internally by the trustees. An Endowment Fund is a type of restricted fund that must be kept intact and not spent. An expendable endowment can eventually – at the trustees' discretion – be converted into spendable income.

The SoFA should be laid out as follows: Annual Accounts for the period 01/X/20XX to: 31/X/20XX

Statement of Financial Activities (SoFA)	Unrestricted	Restricted	Endowment	Total 2008	Total 2007
	€	€	€	€	€
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income					
Activities for generating funds					
Investment income					
Incoming resources from charitable activities					
Other incoming resources					
Total Incoming resources					
Resources expended					
Cost of generating funds					
Costs of generating voluntary income					
Fundraising costs					
Investment management costs					
Charitable activities					
Governance costs					
Other resources expended					
Total Resources expended					
Net incoming/(outgoing) resources before transfers					
Transfers					
Gross transfers between funds					
Net incoming resources before other gains and losses					
Other recognised gains and losses					
Gains on investments					
Net movement in funds for the year					
Reconciliation of funds					
Total fund brought forward					
Total funds carried forward					

SoFA terms to note:

Incoming resources: These are recognised in the SoFA when the charitable organisations becomes entitled to the resources, when it is certain the organisation will receive the resources and the value can be measured reliably.

Grants and donations: These are included in the SoFA when the charitable organisation has unconditional entitlement to them.

Donated services: These are only recognised in the SoFA when the benefit can be reliably measured and quantified.

Volunteer help: The value of any voluntary help received is not included in the accounts but described in the trustees' Annual Report.

Investment income: This is included when receivable.

Governance costs: These include the preparation of statutory accounts, cost of trustees meetings or legal advice on any governance matters, etc.

Accrual basis: The method of accounting that recognises revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid.

Source: Accounting & reporting by charities - Statement of recommended practice – UK Charities Commission 2005

Balance Sheet as of 31/X/20XX

Balance Sheet

	Unrestricted	Restricted	Endowment	Total This Year	Total Last Year
	€	€	€	€	€
Fixed Assets					
Tangible assets					
Investments					
Total fixed assets					
Current Assets					
Stock and work in progress					
Debtors					
(Short term) investments					
Cash at bank and in hand					
Total current assets					
Creditors: amounts falling due within one year					
Net current assets/(liabilities)					
Total assets less current liabilities					
Creditors: amounts falling due after one year					
Provisions for liabilities and charges					
Net assets					
Funds of the charity					
Unrestricted funds					
Restricted income funds					
Endowment funds					
Total funds					

Balance Sheet terms to note:

Liability recognition: Liabilities are recognised as soon as there is a legal or constructive obligation to the charitable organisation to pay out such resources.

Tangible fixed assets: These are capitalised if they can be used for more than one year and are valued at cost or, if gifted to the charitable organisation, at the value to the organisation when gifted.

Investments: These are valued at market value at the financial year-end.

Stock and work - in progress: These are valued at lower of cost or market value.

Source: Accounting & reporting by charities - Statement of recommended practice – UK Charities Commission 2005

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