

# UNRAVELLING THE MYSTERY OF CHARITY FINANCES – JARGON BUSTER

## STATEMENT OF FINANCIAL ACTIVITIES

Summary of the income generated and expenditure incurred during the accounting period.

## BALANCE SHEET

A snap shot of the assets and liabilities held by the charity at a point in time.

## CASH FLOW STATEMENT

A summary of the movements in cash in the period.

## ASSETS

Items of property or resource owned or controlled by the charity.

## FIXED ASSETS

Assets purchased for long term use (eg buildings, equipment etc).

## CURRENT ASSETS

Cash or other assets which are reasonably expected to be converted into cash within one year (eg stock, debtors, prepayments etc).

## LIABILITIES

Legal debts or obligations of the charity (eg creditors, loans, accruals etc).

## DEBTORS

The amounts owed to the organisation for goods or services supplied.

## CREDITORS

The amounts owed by an organisation to others – included in liabilities

## ACCRUALS

Expenditure incurred but not yet billed by suppliers at the year end.

## PREPAYMENTS

Expenditure paid but not yet incurred at the year-end (ie an upfront payment for services).

## ACCRUED INCOME

Income which has been earned by the charity but has not yet been billed/received.

## DEFERRED INCOME

Income which has been billed/received by the charity but has not yet been earned.

## RESERVES

Funds generated by the charity since its inception (ie the difference between a charity's assets and liabilities at a point in time).

## UNRESTRICTED FUNDS

Funds available for the purposes of the charity, to be spent as trustees see fit.

## UNRESTRICTED DESIGNATED FUNDS

Unrestricted funds which have been earmarked for a particular purpose by trustees.

## RESTRICTED FUNDS

Funds subject to special requirements set out by the donor or by appeal.

## ENDOWMENT FUNDS

Donations given to a charity to be held as capital. These funds are usually invested to earn income which is then available for use by the charity. There are also expendable endowments.

## FREE RESERVES

Unrestricted reserves available for expenditure in the short term (ie unrestricted reserves less fixed assets).

## RESERVES POLICY

Policy set by the trustees of a charity stating the level of reserves which need to be maintained by the charity at any point in time.