

Appendix 2: Receipts and payments accounts

The 2006 Regulations specify the form and content of receipts and payments accounts and this provides good structure for charity trustees to follow in preparing the charity's accounts. OSCR has produced a workpack for charities preparing receipts and payments accounts to use; it provides templates for completion in both hard copy and electronic formats and may be downloaded from the OSCR website.

The 2006 Regulations state that receipts and payments accounts must comprise:

- a Trustees' Annual Report
- a Statement of Receipts and Payments
- a Statement of Balances as at the last day of the financial year
- notes to the accounts.

Furthermore, the content of each of these elements is specified as being:

Trustees' Annual Report

A charity's financial statements alone do not provide all the information a reader would need to gain a full picture of the charity; therefore, the charity trustees must prepare a report that includes the following elements:

- the name of the charity as it appears on the Scottish Charity Register and any other name by which the charity is known.
- the charity's Scottish Charity Number. This begins SC followed by 6 digits, the first being 0 (zero).
- the address of the principal office of the charity. Where the charity does not have an office, the annual report must give the name and address of one of the charity trustees.*
- the names of all the charity trustees on the date the annual report was approved by the charity trustees unless:
 - there are more than 50 charity trustees, in which case the names of 50 charity trustees will be sufficient
 - the charity is entitled to exclude the names of the charity trustees because OSCR is satisfied that to include this information would jeopardise the safety or security of people or premises.
- the name of anyone who has been a charity trustee during the financial year covered by the accounts of which the Trustees' Annual Report forms part.*
- the particulars of the constitution or governing document of the charity that contains the purposes and regulates the administration of the charity. This would include:
 - how the charity is constituted (e.g. unincorporated association, trust etc)
 - the organisational structure of the charity (e.g. a membership which elects a management committee or self appointing trustees)
 - the relationship of the charity to any other body (e.g. affiliation with an umbrella group).

- the purposes of the charity as set out in the constitution or governing document of the charity.
- a description of how charity trustees are recruited and appointed, including the name of any external body entitled to appoint charity trustees.
- a summary of the main activities of the charity and achievements in the financial year.
- a description of the policy the charity trustees have adopted to determine the level of reserves to be held by the charity. This should include:
 - the level of reserves held
 - why they are held
 - the amount and purpose of any designated fund, and the likely timing of any expenditure that has been set aside for the future.
- if the charity has a fund that is in deficit, an explanation of how it came about and what steps are being taken to rectify it.
- an analysis of donated facilities and services, if any, that the charity received during the financial year.

*unless the charity is entitled to exclude the names or addresses because OSCR is satisfied that to include this information would jeopardise the safety or security of people or premises.

The Trustees' Annual Report must be approved by all of the charity's trustees and then signed by one trustee on behalf of all of them. The date of approval must be stated.

Statement of Receipts and Payments

The Statement of Receipts and Payments provides an analysis of the incoming and outgoing cash and bank transactions for the year. The analysis must show the following categories separately along with corresponding figures for the previous financial year:

Receipts:

- donations
- legacies
- grants
- receipts from fundraising activities
- gross trading receipts
- income from investments other than land and buildings
- rents from land and buildings
- gross receipts from other charitable activities.

In addition, OSCR recommends that:

- proceeds from the sale of fixed assets
 - proceeds from the sale of investments
- should be shown separately from the above receipts.

Payments:

- expenses for fundraising activities
- gross trading payments
- investment management costs
- payments relating directly to charitable activities, detailing material items
- grants and donations relating directly to charitable activities
- governance costs relating to:
 - audit or independent examination
 - preparation of annual accounts
 - legal costs associated with constitutional matters or trustee advice.

In addition, OSCR recommends that:

- purchases of fixed assets
 - purchases of investments
- should be shown separately from the above receipts.

The Statement of Receipts and Payments must distinguish between unrestricted and restricted funds, as well as any expendable and permanent endowment funds. This is usually achieved by giving each fund a separate column in the accounts. Where a charity has more than one fund in any of these categories it can present the total funds held in each. The notes to the accounts must then explain in sufficient detail the content of the unrestricted, restricted and endowment funds so that the reader gains a full understanding of the accounts.

Any transfers from a restricted, unrestricted, expendable endowment or permanent endowment fund into another fund must be shown separately.

Statement of balances

The Statement of Balances must reconcile the cash and bank balances at the beginning of the financial year and the surplus or deficit shown in the Statement of Receipts and Payments with the cash and bank balances at the end of the financial year.

As with the Statement of Receipts and Payments, the Statement of Balances must distinguish between restricted and unrestricted funds, as well as any expendable or permanent endowment funds held by the charity.

In addition, the Statement of Balances must also:

- summarise the investments held by the charity at their market valuation at the year end
- summarise the other assets held by the charity, including gifted assets, either at the valuation if available or at cost. Where the charity trustees consider the valuation to be lower than the cost, use the valuation
- include a total estimate of the liabilities of the charity at the financial year end. Contingent liabilities must be shown separately
- show corresponding figures for the previous financial year.

The Statement of Balances must be signed by a charity trustee on behalf of all the charity trustees and specify the date on which the statement of account was approved by the charity trustees.

Notes to the accounts

Notes are an important part of the accounts. They expand on or explain the information contained in the Statement of Receipts and Payments and Statement of Balances, and will help a reader understand the accounts.

The notes to the accounts must contain the following information, unless it has been provided in the Trustees' Annual Report:

- the nature and purpose of the different funds held by the charity, including any restrictions on their use
- the number and amount of any grants paid out by the charity, the type of activity or project supported by those grants, and whether they were paid out to an individual or an organisation
- the amount of remuneration paid to a charity trustee or person connected to a charity trustee (a connected person). Any remuneration must be in accordance with section 67 of the Act and the note must specify the authority under which the remuneration was paid. If no remuneration was paid to a charity trustee or anyone connected to a charity trustee this must be stated
- the total amount and nature of expenses, if any, paid to charity trustees and the number of charity trustees receiving expenses. If no expenses were paid to charity trustees this must be stated
- the nature of any transactions between the charity and any charity trustee or person connected to a charity trustee. This may include, for example, a charity trustee purchasing an asset from the charity or a charity paying a firm for services such as professional advice where a charity trustee has a substantial interest in the firm. This note must include:
 - the nature of the relationship
 - the nature and amount of the transaction
 - any outstanding balances at the financial year end
 - any further information required to reasonably assist the reader to understand the statement of accounts.