

Small Charity Support

Supporting Small Charities & Voluntary Organisations

Registered Charitable Incorporated Organisation, No:1161963

An Accounts Spreadsheet for “Small” Charities

1 – Introduction

Small Charity Support defines “*small*” charities as the 75% of charities which are “*primarily run ‘hands-on’ by their trustees and other volunteers, usually with minimal or no paid professional administrative and/or financial support staff*”. Such “small” charities typically have annual incomes less than £100,000.

This Volume gives an over-view of the spreadsheet and outlines:

- a:** the underlying principles of how the spreadsheet is designed to work;
- b:** how it compares with other financial management software;
- c:** outlines why current reporting standards are not Fit-for-Purpose (*particularly for small charities*)

For information on how to set up the blank spreadsheet for first use, see Vol.2;

For information on the daily/weekly/monthly use of the spreadsheet for regular data entry. financial analysis, cash-flow monitoring and internal reporting see, Vol.3

For information on end-of-financial-year/period use of the spreadsheet for the production of Annual Financial Reports compatible with Charity Commission recommendations, see Vol.4

Copyright © 2012-23 Small Charity Support

All copyright and intellectual property rights reserved.
This spreadsheet and its associated Instruction Booklet
are NOT in the public domain.



While it is Small Charity Support's intention to provide you with the best possible support and information as we are able, it is important that you read and give due consideration to the following notices.



The information contained in this spreadsheet and downloadable leaflets is provided in summary form and is made available for general information purposes only. It has not been prepared with your specific needs in mind and is not advice of any kind (whether legal, financial, or otherwise).

Please take the time to check the information in this spreadsheet and downloadable leaflets is suited to your specific circumstances and if you are making any important decisions, such as on financial, legal or tax matters, you should consult a qualified professional adviser who can provide specific advice based on your position.

Small Charity Support does not assume any liability or responsibility to any person or entity for the information contained in this spreadsheet and downloadable leaflets and you should not rely on any information contained in this spreadsheet and downloadable leaflets. Small Charity Support makes no representation as to, and does not assume any responsibility for, the accuracy, completeness or relevance of the information contained in this spreadsheet and downloadable leaflets.

Please make sure that any sites you link to from this spreadsheet and downloadable leaflets are appropriate to you, as we do not endorse such websites and have no control over their contents or how (or if) that site operates. Any links or references in this spreadsheet and downloadable leaflets to a company, entity, service or product does not, in any way, imply an endorsement.

© 2020-23 Small Charity Support



This materials in this spreadsheet and downloadable leaflets are made available to charities and not-for-profit organisations under a

Creative Commons **Attributable – Non Commercial – Share Alike** License

That license lets you remix, adapt, and build upon this material non-commercially, as long as you credit Small Charity Support and license your new creations under the identical terms.

An Accounts Spreadsheet for “Small” Charities

Contents

1. Overview of the Worksheets.....	3
1.1. Content of the Spreadsheet.....	3
1.2. Password Protection.....	3
1.3. Versions of the Spreadsheet.....	4
2. Developer’s Notes.....	4
2.1. Background and Concepts.....	4
2.2. So How Does It Work?.....	7
2.3. Limitations of the Accounts Spreadsheet.....	8
2.4. End-User Support.....	9
3. “The Proof of the Pudding”.....	9

1. Overview of the Worksheets

1.1. Content of the Spreadsheet

The Accounts Spreadsheet consists of 14 individual worksheets in 5 groups:

Title; Disclaimer;	{Introduction}
Bank; Cash; PayPal; Deposit;	{Bookkeeping}
BudgetReport; CashFlow; Funds;	{Internal Reporting}
Categories; Recurring	{Operational}
Annual Accounts; Assets; Investments	{External Reporting}

However, the worksheets are tightly interlinked – data in one worksheet are either derived from the data in other worksheets or are used by other worksheets.

In fact, most of the worksheets require virtually no data input. Instead they are just summaries – calculated and updated automatically “in real time” – from the data which has been entered into the primary “Bookkeeping” worksheets (Bank, Cash, PayPal, Deposit).

1.2. Password Protection

All the functional areas of the spreadsheets (*ie*: typically, the areas containing formulae) are password protected. The primary purpose of those passwords is to minimise the risk of inadvertent corruption of the formulae which manage the calculations used to produce the various reports. Accordingly, it is strongly recommended that they are maintained active while the spreadsheet is in day-to-day use.

The password also helps to secure Small Charity Support’s legitimate copyright and intellectual property rights in the spreadsheets.

Charities which wish to adapt the spreadsheet for their own use are invited to e-mail Small Charity Support – asfsc@smallcharitysupport.uk – to request the password.

Use of the spreadsheet for non-commercial purposes by charities and other not-for-profit or voluntary organisations is royalty-free. Commercial use or adaptation of the spreadsheet is not permitted.

Small Charity Support keeps a record of requests for the password for the legitimate interest purposes of knowing how many users of the spreadsheet there are and to keep them informed of any significant updates or bug-fixes as occasion demands. Small Charity Support does not, and will not, use the record for any marketing or other purposes unrelated to the use of the spreadsheet.

1.3. Versions of the Spreadsheet

There are two versions of the Accounts spreadsheet: Blank & Example:

a) Blank

This consists of a working version of the spreadsheet in which there are no data and just a skeleton structure for the Categories.

This is the version that you will use to create your own working version of the spreadsheet, configured according to your needs.

It is deliberately provided with many more rows than most small charities will need. That is to make it easier to set the spreadsheet up to suit the needs of individual charities (unlike full relational databases, in spreadsheets it's much easier to delete unwanted rows than to insert additional rows).

b) Example (*Better Living Charity*)

This consists of a working version of the spreadsheet which has been configured to meet the needs of a real small charity and has some real data entered into it to illustrate how the spreadsheet works in practice.

The data have been adapted (and anonymised) from the transactions of several small charities which have been using the spreadsheet (*data from several charities have been included to provide more diversity in the data than was possible with the data from a single charity*).

You will not normally use/adapt this example spreadsheet to create your own to manage your charity's accounts. Instead it is provided for you to refer to and compare the ways in which you can configure the blank worksheet to meet your own particular requirements.

Throughout these notes there are screen-shots taken from either of the spreadsheets as appropriate to illustrate the day-to-day operations for setting up and using the spreadsheet for your own charity.

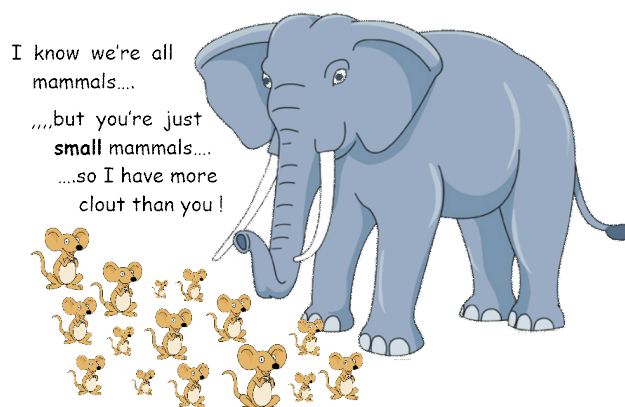
2. Developer's Notes

2.1. Background and Concepts

a) How "small" is "Small"

Search the internet for a definition of "small charity" and the most common result is "*charities with annual income less than £1M*".

But, for most people, "*small*" means "*little in size or amount when compared with what is typical or average*". So calling the 95% of charities in England & Wales "small" because their annual incomes is less than £1M is dismissively patronising. And particularly so when it results in much of the rules, regulations and guidance materials for the financial management & reporting of charities being dominated by the requirements of the minority 25% of "higher income" charities with annual income greater than £250K.



Small Charity Support has therefore adopted a more pragmatic definition of "small" charity, namely:

"primarily run 'hands-on' by their un-paid non-accountant trustees and other volunteers in their spare time - usually with minimal or no paid professional administrative and/or financial support staff"

For more information on Small Charity Support's approach to this issue see its article (blog) [How "Small" is "Small"?](#) - which can be found on its "[Charity Thoughts](#)" webpage, along with other "blogs" on issues related to "small" charities.

b) The Inspiration

Inspired by the iconic book “*Small Is Beautiful: A Study of Economics As If People Mattered*” (1973, E.F.Schumacher), and the more recent “*Doughnut Economics: 7 Ways to Think Like a 21st Century Economist*” (2017, Kate Raworth), the **Accounts Spreadsheet** was developed to meet the needs of the typical non-accountant trustees/volunteers/staff of small charities who want to be able to manage their charity’s finances in a pragmatic but **E**fficient, **E**ffective & **E**conomical way (the commercial “3-**E**s” of being “business-like”) plus the more recent social “3-**E**s” – **E**thical, **E**cologically & **E**quitably. It does that by breaking away from the jargon and complexity of double-entry bookkeeping which are unnecessary for the Accounts of small charities.

The spreadsheet might therefore be more appropriately titled:
Simple is Beautiful: Charity Accounts As If Trustees Mattered, or
Doughnut Accounts: ways to think like 21st Century Trustees.

c) Compatibility

The spreadsheet is simultaneously compatible with the Charity Commission's guidelines for BOTH Receipts & Payments accounts/reports (CC16) AND Accruals accounts/reports (CC17)

<https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16>

<https://www.gov.uk/government/collections/accruals-accounts-pack-cc17-sorp-frs-102>

and targeted at those charities which feel that the functionality of “fully fledged” commercial software packages is inappropriately sophisticated (*ie*: more complex and, therefore, expensive) for their needs but do not have the time or expertise to develop their own in-house bookkeeping system.

The Accounts Spreadsheet is NOT a panacea for all charitable organisations.

Many charities will find it unsuitable and will require something more “substantial”. But charities which are currently managing with their own “in house” spreadsheets but are feeling the need for something just a bit more comprehensive might find some some useful ideas and solutions in the **Accounts Spreadsheet**.

d) Proof of Concept

The Small Charity Support Accounts Spreadsheet is not – and was never intended to be – a commercial software product.

Small Charity Support is a not-for-profit registered Charitable Incorporated Organisation (1161963). It does not have, and has no plans to establish, a professional software development team and help-desk service to support users (customers) of its spreadsheet.

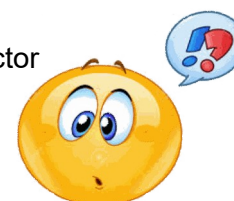
The spreadsheet first came into existence more than a decade ago when one of the Small Charity Support trustees was trying to help a newly created “small” charity which was struggling to manage its finances but didn’t yet have the money, or suitably experienced volunteers, to be able to afford or use commercial charity accounting software.

As the spreadsheet developed it quickly became apparent that the professional finance and accountancy sector’s fixation on full FRS-102 & SORP (“Accruals”) reporting standards is wildly “*over the top*” and inappropriate for the needs of most of the charity sector (and certainly for the needs of the majority of “small” charities). And, particularly, because “Accruals” reporting requires the capitalisation of assets and recording/reporting their notional monetary value as if they were real money (legal tender) in the bank. And, additionally, it is often seen as implying the use of traditional double-entry bookkeeping systems.

The only alternative at present is that “small” charities with annual incomes less than £250,000 can opt to produce their statutory Annual Accounts on the “simple” Receipts & Payments” (R&P, otherwise known as “Cash”) basis instead of full “Accruals” accounts (*provided that they are NOT charitable companies – ie: also registered at Companies House*).

Which is a rather “curious” (*not to say “condescending”*) concession for the charity sector where promoting public confidence is a key priority for the Charity Commission.

Because R&P/Cash reporting is widely disdained by the accountancy profession for its tendency to distort financial reports making it unreliable as a “true and fair



2.2. So How Does It Work?

a) Tags vs Columns

Forget all the usual accountancy jargon of double-entry book-keeping, nominal accounts, balance sheets, journals, trail balances, columns for “this and that” stretching as far as the eye can see.

The Small Charity Support Accounts Spreadsheet does not need to use them.

In any financial management system it is important to be able to categorise transactions (for the receipt or payment of money) to allow those transactions to be identified and aggregated by category for analysis and monitoring/management purposes.

In classical “ink on paper” double-entry book-keeping systems transactions were categorised into “Nominal Accounts” by recording the amount of each transaction in different physical locations: *ie:* in different columns for each category across a large book (Journal). Then, the total (aggregate) amount of money received or paid out under each category could be calculated simply by adding up the amounts in the location/column corresponding to the relevant category.

That worked extremely well and was a great improvement on having just one simple list of transactions all jumbled together. Except that using the physical location of ink on paper quickly becomes unwieldy when if one wants to analyse transactions in different ways – eg:

- ✓ operational – salaries, training, travel, stationery, printing, utilities;
- ✓ payees/payers – where money is coming from (donors, customers, *etc*)
or going to (beneficiaries, suppliers, *etc*)

Relational databases/spreadsheets make double-entry bookkeeping obsolete because they use #-tags to identify the relevance of transactions-data instead of their physical location.

All that is required is one simple record of each financial transaction consisting of just 8 #-tags (which, in a spreadsheet, happen to be in columns).

- A Accrual date (*ie:* the date on which the transaction was committed);
- B Reference – *eg:* cheque/invoice/receipt number;
- C Category (Nominal Account);
- D the “Fund” (to identify Restricted funds – Blank for General fund transactions)
- E payer/Payee;
- F a free-text comment on the reason for the transaction (Column-F);
- G amount of the transaction – positive for receipts, negative for payments;
- H cash date(*ie:* the date the payment appeared in the Bank statement)

A 9th column calculates the running total for that account.

Transactions with specific characteristics (*eg:* Category, Fund, Payer/Payee) can then easily be identified/separated for detailed analysis both:

- ✓ for ad hoc analyses by use of the spreadsheet’s “Filter” function (see Section-4, Filtering Transactions, in the companion leaflet 3-Data Entry & Analysis);
- ✓ automatically (in another worksheet) by use of formulae specifying which #-tags are to be used in the analysis, or manually.

The use of #-tags and filters/formulae in this way means that:

- “Bookkeeping” consists of nothing more than entering “common sense” transaction data into a simple list (one for each bank or other account) consisting of just 8 columns for **all** transactions into or out of that account;
- Running the system therefore requires no special bookkeeping or accountancy training;
- The standard MS-Excel filtering functionality, in conjunction with the Categories and Funds #-tags, allows additional *ad hoc* analyses of specific issues to be undertaken quickly and easily (again without specialist expertise or compromise/degradation of the data).

Furthermore (and a big advantage): as each transaction is entered, the corresponding financial management information (*eg:* Budget Report, Cash-flow Report) #-tagging allows reports to be updated automatically “in real time” (*ie:* no additional data entry is required) and is therefore always available “on demand” in a simple-to-understand format for the Trustees (and for anyone else with a legitimate interest)

2.3. Limitations of the Accounts Spreadsheet

a) Relational Database technology vs Spreadsheet technology

Neither MS-Excel® nor OpenOfficeCalc® spreadsheets are fully functional relational database systems (*ie*: like MS-Access® or OpenOfficeBase®). But they both have functions which are similar to those used in full relational database systems.

The most important practical difference between relational database technology and spreadsheet technology is that the #-tags assigned to data are usually managed automatically in relational databases while in spreadsheets they have to be managed manually.

For example: Where a transaction has been #-tagged as Category="Membership" and it is decided that the #-tag should be renamed as "Subscriptions", in a relational database all that is necessary is to change the name in the master-record of #-tags and all the #-tags associated with individual data records are changed automatically. But in spreadsheets, changing the #-tag name in the master-record (*eg*: the "Categories" worksheet) does not change the #-tags attached to the individual transaction records. Those individual #-tags all have to be changed manually otherwise the formulae associated with them will no longer function correctly.

There are other less significant differences, too.

Relational databases generally have better facilities for:

- creating #-tags and sub-tags (*eg*: "Voluntary Income" as a master-tag under which there can be sub-tags for Membership, Donations and Gift Aid (as in the example spreadsheet), allowing data to be aggregated at both the master-tag and sub-tag levels as required.
- designing *ad hoc* reports – typically on a "query by example" basis where the user sets out the desired report layout using something more akin to a word-processor or publisher software and just tells the database software which #-tag aggregates are to be placed in which location.

Whilst it would have been possible to design the Accounts Spreadsheet as a relational database instead (*eg*: using Microsoft-Access® instead of Microsoft-Excel®) that was not done because; (i) MS-Access is not so widely available as MS-Excel; (ii) the cost of purchasing MS-Access for those who don't have it as part of a package can be greater than the cost of purchasing commercial accounts software; (iii) even if the Accounts software was distributed as "open source", not many users would have the technical skills to use and develop it for their own requirements; (iv) software written in MS-Access code is not as easily transferred to other software.

b) Multiple Designated/Restricted Funds

Because managing #-tags is a manual process in spreadsheets while it is an automatic process in "proper" relational databases, the Accounts Spreadsheet's ability to handle efficiently frequently changing designated and/or restricted funds is somewhat limited. That's because the specific needs of individual charities vary considerably so that creating a "one size fits all" design would require a significant degree of complexity which would negate the underlying principle of "Simple is Beautiful".

But because the Accounts Spreadsheet is provided as "open source", charities which have specific needs (and sufficient knowledge of MS-Excel) are free to adapt its concepts and core design on an *ad hoc* basis to meet their own specific needs.

c) Copying, Deleting, Moving & Duplicating Data

Producing integrated reports which are updated in "real time" as new data are added requires that the data in most worksheet are either derived from the data in other worksheets or are used by other worksheets.

FOR THAT REASON IT IS IMPORTANT TO NOTE that some common spreadsheet operations, like "Click & Drag" or "Cut & Paste", SHOULD NEVER BE USED in the Accounts Spreadsheet, except where explicitly instructed in these User-Manuals that it is safe to do so.

2.4. End-User Support

Small Charity Support regrets that, due to resource limitations, it is unable to provide any on demand end-user training or support in the use of this spreadsheet beyond the instructions here or in the spreadsheet itself. Therefore, any alterations to this spreadsheet to meet local requirements are made at the user's own risk should only be undertaken by persons with appropriate expertise in the use and manipulation of spreadsheet formulae.

However, we would be glad to hear of any suggestion you have or problems that you encounter whilst using the spreadsheet by e-mail to: SAfSC@smallcharitysupport.uk

Whenever possible we will attempt to rectify such problems and, as an unexpected consequence of the Coronavirus crisis lockdown, we have had some success in providing direct support through on-line "meetings" and screen sharing using Zoom technology.

But, unfortunately, we are unable to guarantee that we will always be able to do so promptly, or at all.

3. "The Proof of the Pudding"

The proof of the pudding is in the eating

The Tail or the Dog ?

The focus on charities having to choose between producing their Annual Report & Accounts or either the full "bells & Whistles" Accruals basis or the "simple" R&P/Cash basis creates an implied requirement for their financial record-keeping to be traditional double-entry bookkeeping for Accruals Annual Accounts or "simple cash in hand" bookkeeping for R&P/Cash Annual Accounts.

Which is "unfortunate" case of "the tail wagging the dog".

In the practical "real world", for the majority of "small" charities, run by non-accountant volunteer trustees in their spare time, the "dog" they need is a financial recording & reporting system that is sufficiently simple and intuitive to enable them to run their charity **E**fficiently, **E**ffectively & **E**conomically on a day-to-day basis to deliver outcomes which their donors, supporters & volunteers are happy with.

And the "tail" is the charity's statutory end-of-year Annual Accounts – often not "wagged" until already nearly a year out-of-date – and then more as "cute doggie-beg" for the "treat" of a "tick in the box" in the Register of Charities than as a demonstration of a well-trained working dog.

Small Charity Support's approach is that a charity's financial recording and reporting systems should be determined by the charity's internal requirement for timely, easily available, appropriate and good quality financial management data and reports – with the production of external financial reports being an incidental benefit.

Not the other way round !

The Small Charity Support "Proof of Concept" Account Spreadsheet, using ordinary data from real small charities, clearly proves that:

- ✓ a simple, easy-to-use, intuitive spreadsheet;
- ✓ recording both the Accrual date and the Cash date of the charity's transactions;
- ✓ using relational database #-tagging to identify the key elements of transactions;
- ✓ allows financial records to be monitored & reported throughout the year on both an Accruals basis and/or an R&P/Cash basis simultaneously as needed for the **E**fficient, **E**ffective & **E**conomic management of the charity's finances; *{the "dog"}*
- ✓ can also produce the charity's end-of-year statutory Annual Accounts on either (or both, simultaneously) an Accruals basis or an R&P/Cash basis as required; *{the "tail"}*
- ✓ has made double-entry bookkeeping obsolete.