



**SOUTHWELL U3A**

## **Accounting for financial transactions by group and trip organisers**

To call ourselves a U3A and be eligible to receive Gift Aid on the whole of our membership subscriptions, we have to be registered as a charitable association. Charities are defined by law. The object of our charity is very wide, covering the advancement of education by all means. Our subscriptions, Gift Aid income and all other monies collected from members can only be spent on activities that accord with the charitable object and all income and expenditure must be reported to the Charity Commission once a year.

This Q&A aims to answer the most common questions that might arise in connection with our charity's banking and accounting arrangements and to explain why it is necessary for group leaders and trip organisers to account for the money they handle in a particular way.

### 1. How are the U3A bank accounts structured?

Southwell U3A has three bank accounts.

- The general account receives membership dues and Gift Aid payments. These funds are used for the general running of our U3A and can be applied for any of the purposes of our charity.
- The groups account provides a banking service for the various interest groups that are part of our U3A. These funds can only be used by the groups concerned for their purposes.
- The social account provides a banking service for trips and visits and social events that are arranged through the trips and social committee. These funds can only be used for the events concerned.

### 2. Why are the accounts structured in this way?

Southwell U3A is a charity, registered with the Charity Commission. As such we are subject to the law contained in the Charities Act 2011 and the rules and regulations promulgated by the Commission. It is managed by the trustees of our charity, who make up our U3A committee. As a very successful U3A with nearly 800 members our turnover is in excess of £55,000 a year. So we are required to make an annual return of our finances to the Commission. Previously, social activities were not considered charitable and so were not reported to the Commission. To make reporting easier, money that was concerned with our social activities was banked separately through the social account.

With effect from 1 August 2018, all our U3A activities now fall within a revised charitable objective, but we continue to operate the three bank accounts to spread the burden of the Treasurer's work between three people.

3. What does the annual return to the Charity Commission contain?

The annual return includes details of all our income and expenditure. It splits our funds between the funds in the general account, and those funds ring-fenced for groups and social activities. This same information is available to U3A members when the receipts & expenditure accounts are produced for the AGM. It includes a certificate from an independent examiner that our accounts comply with the accounting requirements of the 2011 Act.

4. What do the Charity Commission do with the annual return?

The annual return is published on the Charity Commission website so our finances are open to the public. We could be asked by either the Commission or a member of the public to explain the entries in our accounts.

5. Does the Charities Act set out the accounting requirements for charities?

Yes – the Act requires charity trustees to have in place accounting records which are sufficient to show and explain all the charity's transactions, so that the financial position of our U3A can be ascertained at any time. The records are required to show the day to day income and expenditure of the charity and identify the matters to which that income and expenditure relates.

6. What does the phrase 'all the charity's transactions' cover?

It means what is says on the tin. So it is not just the transactions that pass through the three bank accounts, it is ALL the charity's transactions and that includes cash transactions that arise at monthly meetings e.g. visitor fees, and cash transactions in connection with group and/or social activities. But notwithstanding the Charity Act requirement, the trustees/committee are responsible for the management of over £55,000 of our members' money – it is only right and proper that we can fully account for how that money has been spent.

7. How does Southwell U3A measure up against these accounting requirements?

Our U3A scores well against these requirements. Transactions passing through the 3 bank accounts are usually supported by suitable documents. Very little cash is handled by the Treasurers; but there are a number of cash transactions within the interest groups. These transactions must be accounted for and must form part of our accounts.

8. What would be the consequences of not complying with the requirements of the Charity Commission and the Charities Act?

The Commission monitors charities and, if it has any doubts about compliance with the law and its rules, can inspect all our books and records. If not satisfied, it expects to work with trustees to sort things out and could (but rarely does) freeze our bank accounts until that is done. In theory, non-compliance could ultimately lead to removal from the charities register so preventing our association being called a U3A and allowing us to boost our funds with Gift Aid claims. Such an outcome is undesirable would be embarrassing for all concerned.

9. Over what period do Southwell U3A's accounts run?

Our U3A's accounting year runs from 1 April to 31 March of the next year. Group accounts are maintained over the same period.

10. How should the groups record their financial transactions?

Group leaders, or the person handling the group's finances, should use the **Group Balance sheet (form ee)** to record their group's transactions. The form can be filled in on screen and is designed to allow the group to keep track of both their bank and cash transactions.

11. What should I do with the **Group Balance sheet** and the documents supporting the income and expenditure of my group?

For transactions through the groups bank account, you should pass the documents supporting the money paid into the bank and receipts and invoices for expenditure to the groups treasurer as they arise during the year. There should be documentary evidence supporting every transaction in the groups treasurer's records. You should also record the bank transactions on the balance sheet for two reasons. Firstly, so that you are aware of the balance your group has with the groups treasurer and secondly to provide an alternative means of checking the transactions passing through the groups account and reconciling the balance as between the groups at year end.

With cash transactions, you should record the transactions as they arise during the year, and retain supporting documents evidencing income and expenditure. The balance sheet and supporting documents should be passed to the U3A Treasurer (not the groups treasurer) promptly at year end so the transactions can be reflected in our U3A accounts.

12. How quickly, after the year end, should I get the **Group Balance sheet** to the U3A Treasurer?

As soon as you can. The Treasurer needs to compile the composite accounts for our U3A and have them examined by an independent examiner and all before the middle of June, so that the accounts can be available to our members before the AGM in August. The balance sheet is designed to maintain a running balance throughout the year, so there should be no difficulty in reconciling any cash balance at year end.

13. What should I do if my group's transactions are not complete at year end?

Our U3A accounts are drawn up on a 'receipts and expenditure' basis, not an accruals basis, so you simply record the income received and the expenditure is incurred for the year in question. It does not matter that a payment made in May was for, say, a room booking in the previous March, the expenditure was incurred in May and appears in that years' accounts.

14. My group does not have any financial transactions, so does this apply to me?

You need to consider carefully whether your group really does have no financial transactions. In short, if members pay money that it is expended on hiring venues, paying speakers or otherwise funding or facilitating the group's activity, then there are financial transactions which need to be reflected in our U3A's accounts.

15. So in what circumstances will a group not have financial transactions?

A group that holds its meetings in member's homes is an obvious candidate. The group may rotate its meetings, so all members take a turn in hosting the meeting. If each host bears the cost of any refreshments with no reimbursement, there are no financial transactions. If, however, members of such a group contribute towards items or materials for use at those meetings in

furtherance of the group's activity, the receipt and expenditure of those contributions should be accounted for.

If every group meeting is at the same member's home and the only contribution from members is towards refreshments, a payment of up to 50p per person per meeting does not need to be accounted for. But if group members also contribute towards items or materials for use at those meetings in furtherance of the group's activity, the receipt and expenditure of the contributions toward materials should be accounted for. The refreshment element can be ignored.

Similarly, if a venue does not charge a group for using the room, but each member individually pays for refreshments provided by the venue, there are no financial transactions that need to be recorded.

'Outdoor' groups where the only financial transactions are a contribution towards driver's fuel costs do not need to account for these payments – as with refreshments above, nothing was specifically purchased to fund or facilitate the group's activity.

16. My group's transactions are all in cash; when we need to pay a bill, group members split the cost between them at the time. Should this type of transaction be recorded?

Most definitely yes. Group members are contributing to the cost of items or materials for the furtherance of the group's activity and perhaps towards hiring venues, paying speakers etc. – these are all financial transactions that need to be accounted for. Although dealing with the group finances in this way may mean that there is no need to use the groups bank account and the group does not carry a cash balance, the monies received and expended are all part of our U3A's charitable activity and must be reflected in our U3A's accounts.

This does not need to be an onerous, bureaucratic process. If, for example, a member purchases items worth £48 for use by the group and is reimbursed that money at £6 each by the 8 members attending the meeting, all that is needed is one entry on the balance sheet to record the member contributions totalling £48 and another to show the payment of £48 for the items concerned. Receipts for the expenditure should be retained by the group leader or other individual responsible for the group's finances and passed with the **Group Balance sheet** to the U3A Treasurer at year end.

17. What is the 3<sup>rd</sup> Age Trust guidance about dealing in cash?

The 3<sup>rd</sup> Age Trust does not recommend dealing cash for obvious reasons; preferring members to make all payments by cheque. But our U3A committee recognises that dealing in cash may be easier for some groups and are content to allow to groups to continue to deal in cash provided the transactions are fully accounted for at year end.

If you collect subscriptions all in cash, you should keep records of all payments received. The money may either be paid to the Group's Treasurer in cash, or you may retain the cash and send the Group's Treasurer a cheque drawn on your own account, or you may make an online transfer to the groups account from your own account. Please send the Group's Treasurer email to provide details of any online transfer made.

18. My group transactions are all put through the groups bank account, but we make a nominal charge in cash for administration how should that be dealt with?

You should show one figure for the total contributions received in the cash column on the **Group Balance sheet** and you can show just one total figure for the administration costs incurred throughout the year. Receipts for total expenditure on administration should be kept and passed to the U3A Treasurer at year end; although receipts are not necessary where the cost of the group's administration does not exceed £25 per year.

19. What happens if my group does not have financial transactions?

There is no need for you to do anything; there are two lists on the website splitting up the groups between those that have and those that do not have financial transactions. In the latter case, there is no need to produce any information for the Treasurer – unless the group circumstances change. If you feel your group is on the wrong list, please speak to the Treasurer.

20. What should I do if my group changes its position with regard to financial transactions?

Speak to the Treasurer if your group changes its position.

21. What should I do if my group organises a trip?

There is separate guidance published about organising and accounting for trips, please follow it. The documents available for planning and running a trip should support entries made on the **Group Balance sheet**. Please follow this guidance to the letter to avoid adverse insurance implications.

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