



TREASURERS GUIDE FOR COMPLETING THE REA ANNUAL FINANCIAL SUMMARY

Sept 2023 version

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Why is the Annual Financial Summary needed?

Legislation issued by the Charities Commission under cover of SORP (Statement of Recommended Practice) 2000 required REA Trustees to account for funds belonging to Charity Branches. Accordingly, Association Rule 17.21 was amended to reflect this requirement:

Branch accounts shall be balanced on 31 December annually and shall be submitted online by the Branch Treasurer through the members' area of the REA website. **Account summaries must be completed and submitted online by 31st January of the following year.** Accounts received after that point will be submitted as a nil return. Group accounts shall be considered through the use of the online Yordex account.

You may be asked to submit your branch accounts (bank statements etc) by our auditors. Please submit by post or email by the same dates as above or you will be considered late and will be asked to submit to the auditors again the following year.

Overview of the Annual Financial Summary (AFS) online

If your Branch/Group has taken advantage of the opportunity to transfer branch funds to the REA branch fund management account, you are NOT required to provide an AFS as this will be done for the Branch/Group by the REA Fund Manager. We would urge ALL branches to consider this transfer of branch funds as it reduces the burden on Branch Treasurers.

If you do need to complete an AFS, the form is completed online by accessing the members area of the REA website <https://members.reahq.org.uk/>; please do not submit paper forms. Only Branch Treasurers can access the online submission. You are required to register an account for the Members Area, if you haven't already done so.

Once logged in and having clicked on 'Submit Branch Annual Financial Summary Form' available in 'Branch Facilities' within the Members Area, you will see the following:

Submit Branch Annual Financial Summary

Submissions are currently being accepted for 2023.

The closing date for submissions is 31/01/2024.

Please select the branch below and click "Next" to start the submission process.

Next

Click on the drop-down menu for the Branches and select your Branch, then click 'Next'.

On the next page, you will see the following at the top of the screen:

Please note that all figures should be completed, even those where the figure is £0.00.

Unless stated otherwise, all figures should be entered as at 31st December 2023.

Income for 2023

Subscriptions 0.00	Grants & Donations 0.00
Esprit de Corps (Social Events, Raffles etc) 0.00	Other Income 0.00
Total Income 0.00	

The Annual Financial Summary in detail

Income for year

The total of all income received by the Branch or Group during the reporting year for each of the headings must be shown here. Income can be cash, cheques, postal orders, bank transfers or other means including bank interest, dividends from stocks or shares and any increase in the annual valuation of any silverware held.

The Income section comprises of five headings. These are:

- Subscriptions
- Grants & Donations
- Esprit de Corps (Social events, raffles etc.)
- Other Income
- Total Income

Subscriptions - Within this heading are included both Branch membership subscriptions and REA annual membership subscriptions.

Grants and Donations - The title is self-explanatory. However, as an example, if the Branch had only just formed and wanted to purchase its own Standard, HQ REA will provide a grant of half of the cost of a new Standard; **the grant must be shown as income under this heading.**

If you receive any monies as a result of participation in a government or Lottery funded initiative, this must also be shown here.

Please note, as part of a charitable organisation, if you are holding stock such as badges, ties etc. you are not allowed to trade (sell) these items. As with the Royal British Legion, when you provide an item of stock to someone you should ask for a specific amount to be donated; this normally covers the cost of obtaining the item plus an amount to be contributed to Branch funds.

Esprit de Corps - This is a wide-ranging heading and will normally cover income generated by social events or money-making activities such as raffles.

Other Income - This is a universal heading to embrace all the other income received. Remember, if income does not fit under any of the other headings this is where the income should be included. Examples of such income may include bank or building society interest and any revenue earned from Branch business ventures.

Total Income - The total of all income received is manually completed.

**Please note that the online form has all calculations completed in the background and therefore ALL fields need to be completed manually so that you have done your own calculations beforehand. You will not be able to successfully submit if your figures are incorrect in any of the fields.*

Overwrite 0.00 in all cases even if the amount required in that box is 0.00. You must input into every field.

Expenditure for year

Expenditure for 2023

Governance (Management & Admin costs) 0.00	Grants & Donations 0.00
Esprit de Corps (Social Events, Raffles etc) 0.00	Other Expenditure 0.00
Total Expenditure 0.00	
Surplus or Deficit 0.00	

Expenditure - Expenditure is revenue spent or consumed by the Branch. The term 'consumed' allows for the depreciation of any capitalised assets held by the Branch or Group; this will be covered in more detail under the **Fixed Assets** heading

The Expenditure section comprises of five headings. These are:

- Grants & Donations
- Esprit de Corps (Social Events, Raffles etc.)
- Governance (Management & Admin costs)
- Other Expenditure
- Total Expenditure

Grants and Donations - This title is self-explanatory. However, as an example, if you received any grant during the year (shown as income) and were required to pay back a part of it, that amount must be included here. If the Branch or Group donated to an organisation, whether it be a charitable organisation or not, the amount must be included under this heading.

Esprit de Corps - This is a wide ranging heading and will normally cover expenditure to support Branch or Group social events or money making activities such as raffles.

Governance - Any expenditure made which is directly attributable to the running or administration of the Branch or Group. For example, postage charges generated by the Branch in managing Branch membership or administration would come under this heading. Another example is where the Branch or Group pay hire or rental charges for venues to hold monthly Branch meetings.

Hire charges for venues which form part of a social event should not be included here; they should be included under Esprit de Corps.

Other Expenditure - This is a universal heading to embrace all the other ways expenditure may have occurred. Remember, if expenditure does not fit under any of the other headings this is where the expenditure should be included. Examples of such expenditure may include income tax on bank interest earned and depreciation of any Branch assets.

Total Expenditure - The total of the four headings above is manually completed.

Surplus or Deficit (final field in this section)

Surplus or Deficit - The figure entered in **in this field** indicates the amount of income over expenditure or expenditure over income. If the figure at **Total Expenditure** is larger than the figure at **Total Income** then the Branch has a Deficit of Income (expenditure over income). If the figure at **Total Income** is larger than the figure at **Total Expenditure** then the Branch has a Surplus of Income (income over expenditure).

You must manually complete the Surplus or Deficit field – deficits must be shown with a minus sign in front of the deficit figure; for example -£27.40

Fixed Assets

Fixed Assets

Branch Standard 0.00	Branch Assets 0.00
Investments/Savings 0.00	
Total Fixed Assets 0.00	

Branch or Group assets costing more than £1000 to purchase are capitalised; these items are called Fixed Assets. With the exception of the Branch Standard and Branch silver, Fixed Assets depreciate over their estimated life. Branch Standards are capitalised and maintained at their expected replacement value, currently £800. Branch silver is to be re-valued annually; it is not subject to depreciation calculations. Any increase in silver value above the previous year's value is to be included under income – 'Other Income'.

The Fixed Asset section comprises of four headings. These are:

Branch Standard - If a Branch Standard is held, the amount of £650 must be added in this field. If the Branch does not own a Standard then the field should be overwritten with 0.00

Branch Assets - These are Branch or Group assets costing more than £1000 when purchased; they are capitalised and valued at historic cost. Where an asset costing more than £1000 is silverware, this asset must be revalued each year by a competent person; this is normally a jeweller or silversmith. Generally, silverware appreciates (goes up) each year. Other items such as fixtures and fittings and computers depreciate. Depreciation is charged on such assets using a straight-line basis over their estimated life at the following rates:

- Fixtures and Fittings: 10% p.a (this equates to an estimated life of 10 years)
- Computers: 20% p.a (this equates to an estimated life of 5 years)

Fixture and fittings example

A Branch purchases a gazebo for £1400. The estimated life of Fixtures and Fittings is 10 years. For each year of its life, the gazebo will reduce in value by £140 (£1400 ÷ 10). So, after the first year the gazebo is valued at £1260 (£1400 - £140). After the second year the gazebo is valued at £1120 (£1260 - £140). This reduction is carried out each year until the item value reaches £0, at which point the item is then held as an expense item. The amount by which an item depreciates must be included in the Branch accounts as expenditure. It should also be included in the 'Other Expenditure' section of the Annual Financial Summary.

Computer Example

A Branch purchases a computer system, which includes a monitor and a printer, for £1500. The estimated life of computers (which includes peripherals) is 5 years. For each year of its life the computer system will reduce in value by £300 (£1500 ÷ 5). So, after the first year the computer system is valued at £1200 (£1500 - £300). After the second year the computer system is valued at £900 (£1200 - £300).

This reduction is carried out each year until the item value reaches £0, at which point the item is then held as an expense item. The amount by which an item depreciates must be shown in the Branch accounts as expenditure. It should also be included in the 'Other Expenditure' section of the Annual Financial Summary.

Silverware Example

A Branch purchases a silver centrepiece to commemorate its 50th anniversary; the cost of the piece is £1000. After the first year, the piece is taken to the local jewellers for revaluation; it is revalued at £1200. The difference between the old and new value must be shown in the Branch accounts as income. It should be included in the 'Other Income' section. The new value of the piece is included in the Branch Assets.

Investments/Savings

Some Branches have Investment and/or Savings Accounts and view these as long term or fixed assets. These accounts are generally not drawn on or only the annual interest is transferred to the Branch current account. Due to their long-term nature, such Investment or Savings are considered as Fixed Assets.

Any Branch unsure about the status of its Investments or Savings accounts should seek advice from HQ REA 01634 847005.

Current Assets

Current Assets

Cash at Bank 0.00	Cash in Hand 0.00
Debtors 0.00	
Total Current Assets 0.00	
Total Assets 0.00	

Current Assets are assets in the form of cash (or easily convertible into cash).

There are three sub-headings in this section:

Cash at Bank - That money which is held in a bank or building society. The figure here should be the total of such monies held in the various institutions on 31st December of the current Financial Year. See Bank Statements below for more information.

Cash in Hand - Cash in hand is petty cash, or cash held outside of a bank or building society which is used for minor business expenses. In addition to the foregoing definition, there is an additional item to be considered under Cash in Hand; the value of any stock held. Many Branches hold stocks of items which are available to its members at a cost; items such as ties and badges. Each year the remaining amount of stock held should be valued at cost price and included in the amount shown as Cash in Hand. There is no requirement to indicate the split between cash and stock.

Debtors are individuals or organisations who owe you money.

Total Assets is simply the total of both Fixed and Current Assets. **The total for this field must be manually calculated and added.**

Liabilities

Liabilities

Creditors 0.00

Liabilities are Branch or Group outstanding debts or 'what you owe to others'.

There is only one sub-heading under this heading:

Creditors - A creditor is someone to whom you owe money. For example, if at the end of the Financial Year the Branch or Group has written a cheque that has not been presented, the amount of that cheque must be included under creditors. See Bank Statements below for more information.

Branch/Group Worth as at 31 Dec 20XX

Branch/Group Worth

Please enter the branch worth as at 31st December 2022

Previous Period
0.00

Based on the above information, the branch worth as at 31st December 2023 is £0.00

Submit Cancel

The figure to be shown in this field is the same figure that was in the calculation of the previous year's Summary.

For example, if **the conciliation** of the Branch Summary at the end of the previous Financial Year (FY) showed a figure of £5608.00, then this is the figure that must be shown in **this field for the current year's** Annual Summary.

This figure will be sent to Branch/Group Treasurers with your reminder that the AFS is open.

If you have reason to think that your opening figure is incorrect, please contact REA HQ on 01634 847005 **before** submitting your online AFS.

The system will calculate your current years' worth for you; if all of the calculations are correct, this figure will be shown in the light blue field above.

If you wish to retain a copy of what you have submitted, then you can now screen shot the page.

Click '**Submit**' to send your AFS.

Additional information

Errors

Please note that if the Annual Financial Summary does not balance, you will have to find the error **or the system will not allow you to submit your AFS**. If there is an error, a good starting point is to check the amount of the error and determine if the amount relates to a transaction that has not been included in the Branch/Group accounts. It is important to remember that -£10 is not the same as £10; the difference between the two figures is £20.

Bank Statements

Please note this it is not necessary to wait for a bank statement before submitting the Annual Financial Summary, All you need is confirmation of your balance as at 31 December.

The bank balance may be slightly different to the balance that your account books show. This is likely to be due to unrepresented cheques or transactions either as income or expenditure. If you really do need a statement to check your figures, check your statement online.

Don't forget!

It's a Summary! The Annual Financial Summary is exactly what it says it is. It is a summary of the Branch account, not an audited report on the Branch accounts. It is only necessary to have the Annual Financial Summary scrutinised by two authorised members of the Branch.

If there is an unresolved account problem which may impact upon the timely return of the Annual Financial Summary, HQ REA should be advised ASAP by telephone on 01634 847005.

It may be that the Auditors will wish to check on Branch accounts that have serious balancing problems; this should be viewed as a learning opportunity rather than a penalty.

Accrual Accounting

Accrual accounting is considered to be the standard accounting practice for most organisations, it is the accounting method used within the REA.

Brief overview

Accrual Accounting is an accounting method that measures the performance of an organisation by recognising economic events regardless of when cash transactions occur. The general idea is that economic events are recognised by matching revenues to expenses at the time the transaction occurs rather than when payment is made or received. This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of the organisations current financial condition.

Accrual Accounting provides a more accurate picture of the organisations current condition; it is the opposite of cash accounting, which recognises transactions only when there is an exchange of cash.

For example, when a company sells a TV to a customer who uses a credit card, cash and accrual methods will view the event differently. The revenue generated by the sale of the TV will only be recognized by the cash method when the money is received by the company. If the TV is purchased on credit, this revenue might not be recognized until next month or next year.

Accrual accounting, however, says that the cash method isn't accurate because it is likely, if not certain, that the company will receive the cash at some point in the future because the sale has been made. Therefore, the accrual accounting method instead recognizes the TV sale at the point at which the customer takes ownership of the TV. Even though cash isn't yet in the bank, the sale is booked to the account as "debtors" increasing the seller's revenue.

And finally.....

There may still be some questions that Treasurers will want to ask about the completion of the Annual Financial Summary; this is not a problem; help is just a phone call away. No matter how trivial the problem, if it is giving you trouble just contact us at REAHQ:

Telephone: 01634 847005 Email: fundmanagerrea@rhqre.co.uk