



CHARITY FINANCE DIRECTORS' GROUP

***CHARITY FINANCE
DIRECTORS' GROUP
Annual Report and
Financial Statements***

31st March 2004

***Company number 3182826
Registered Charity number 1054914***

The Charity Finance Directors' Group is

- ◆ the only charity specialising in the management and accountability of charities from the finance perspective.
- ◆ an authoritative voice on matters of regulation and legislation, mandated by the Finance Directors of many of the largest operational charities in England and Wales.
- ◆ funded mainly by subscriptions from finance staff of charities and from leading professionals in accounting, banking, investment, IT, law and other firms selected for their understanding of the needs of the sector.
- ◆ a provider of excellent training and information for staff, trustees and others who want to fulfil their roles effectively, using the practical knowledge of members and professional insight of subscribers who donate their time, knowledge and financial support for the benefit of charities through the Group.
- ◆ a company limited by guarantee with objects to advance public education in and promote improved standards of management in charities

The Charity Finance Directors' Group's vision is

- ◆ to be the primary source of good practice in financial management for charities.

Our Mission is

- ◆ to harness and share the knowledge and experience of finance staff in charities and other specialists so that their management skills will enable charities to achieve the highest possible levels of effectiveness, efficiency and public confidence.

CFDG works to ensure that our members lead the way in implementing good practice in financial management. Members, their Trustees and colleagues can further our aim of raising public confidence in charities through greater clarity and better understanding of what charities do.

"Wherever you look, the CFDG's hallmarks are a spirit of partnership, an active approach and a constructive commitment to professional rigour. I'd like to offer you my personal thanks for your help over my time at the Commission"

John Stoker
Chief Charity Commissioner

Speaking at the CFDG Annual Conference on 26 May 2004



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Annual Report and Financial Statements

For the year ending 31 March 2004

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CHARITY FINANCE DIRECTORS' GROUP

Report of the Board of Trustees

for the year ending 31 March 2004

(incorporating the directors' report)

The Board presents the report and financial statements of the Charity Finance Directors' Group for the year ended 31 March 2004. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised October 2000). The report and statements also comply with the Companies Act 1985 as the Charity Finance Directors' Group was incorporated by guarantee on 29 March 1996. It has no share capital and is a registered charity. The guarantee of each member is limited to £1. Members of the Board of Trustees are the Directors of the company.

Objectives and activities

The charitable objects of the Charity Finance Directors' Group (CFDG) are to advance public education in and promote improved standards of management in charities. Its activities towards carrying out these objects fall into four main areas:

- ◆ training events
- ◆ public affairs and policy
- ◆ information services
- ◆ facilitated networking between members

CFDG uses the powers conferred by the Memorandum of Association to promote its effectiveness. Powers include:

- ◆ to co-operate with other charities, voluntary bodies and statutory authorities
- ◆ to establish local branches
- ◆ to bring together in conference representatives of voluntary organisations, government departments, statutory authorities and individuals
- ◆ to promote and carry out or assist in promoting and carrying out research, surveys and investigations and to publish the results in whole or in part
- ◆ to arrange and provide for or join in arranging and providing for the holding of exhibitions, meetings, lectures, classes, seminars and training courses
- ◆ to collect and disseminate information on all matters affecting the objects

Our work includes providing employees and Trustees of charities with:

- ◆ the tools and information they need to carry out their responsibilities with confidence
- ◆ signposts to guide them to legal obligations and best practice
- ◆ a voice to express views and concerns to governments and regulators
- ◆ advance notice of changes that may impact on their financial management
- ◆ opportunities to share and learn from the experience of their peers

More details of activities during this year are given in the rest of this report.

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Organisational Structure

There are ten Trustees who form the Board of CFDG, all of whom must be members of the Charity. A Special Adviser, Pesh Framjee, who is a partner in Deloitte, and leading expert in charity accounting and financial management issues, supports them. He gives his time and resources freely to the organisation. During the year the Board also appointed an IT Adviser, John Tate, a leading IT analyst in the sector, who contributes his knowledge of information technology and his business acumen to the Group as a volunteer. Both Advisers are invited to attend Board meetings as observers.

The term of office of Trustees is three years and a Trustee can be appointed for a second consecutive term. One of their number is appointed by them to be the Chairman for a period of three years. The full Board of Trustees met five times in the financial year and had a full day planning future strategies.

The Board has delegated some of its activities to formal committees that all adhere to terms of reference and reporting back procedures specified by the Trustees. Each committee includes at least one trustee and is supported by the relevant member of the CFDG staff. The committees enable CFDG charity members and subscribers to contribute their expertise to the effective running of the organisation. They provide support, suggestions and opinions to shape both strategy and delivery in their respective areas. Working parties, steering committees and similar groups are also set up to take forward particular tasks. Those who served on the Board and main committees during the period of this report are shown on page 19.

Members are charity finance directors and such other individuals (other than commercial suppliers) with responsibility for charity financial matters as the Trustees may approve. This may mean the Treasurer or Chief Executive of smaller or less complex organisations.

Subscribers of CFDG are individuals working for commercial suppliers who are active in charity finance and other related matters. They are essential for the work of CFDG and we value their support enormously. They are not members of the company and their number may not exceed 10 per cent of the number of voting members.

Associate Membership is available to persons (other than commercial suppliers) who have been previously employed as finance personnel of a charity or voluntary organisation and who:

- ◆ have been made redundant or otherwise ceased to be directly employed by a charity but are seeking re-engagement;
- ◆ have retired but remain active in a voluntary capacity as Trustee or Treasurer.

Associate members are not members of the company and do not have voting rights.

Day-to-day operational decisions are taken by the Chief Executive and her staff within the delegated authority conferred by the Board.

Trustees' Responsibilities

Company law requires the Board of Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that year. In preparing these financial statements, the Board of Trustees has:

- ◆ selected suitable accounting policies and applied them consistently;
- ◆ made judgements and estimates that are reasonable and prudent;
- ◆ followed applicable accounting standards and statements of recommended practice without any material departures;
- ◆ prepared the financial statements on the going concern basis.

The Board of Trustees is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Operational Activities

Summary

Last year we said we would work on the Charities Bill, the Charities Resource Network and pensions, insurance, International Accounting Standards and the SORP. We are delighted to confirm that all those areas were taken forward, despite major staff changes and problems with obtaining the required functionality of our new database systems. We also published, as promised, guidance on good practice on input cost allocation.

Key achievements are:

- ◆ Launch of the Charities Resource Network in June 2003 providing information, supported networking and opportunities for performance measurement to members and the wider voluntary sector. It now has over 2000 visits each week.
- ◆ Publication of "Inputs Matter", a report and consultation document making recommendations on how accounting by charities should be changed to enable the true resource cost of their activities to be more transparent. The SORP Review Committee has adopted most of its recommendations.
- ◆ Our second good practice Report, "The Charity Pensions Maze", was published in June 2004 and received considerable media and sector attention.
- ◆ The CFDG website now offers a popular daily news digest and gives members the opportunity to update their particulars on line.
- ◆ Monthly mailings about activities of CFDG, reports of training meetings and current government, legal and accounting issues relating to charities have been sent to all members.
- ◆ A majority of members are based in London and the South East but regional membership continues to be popular. A meeting of the South West & Wales Group was held in Cardiff, our first in Wales, the Northern group meets regularly in Manchester and Leeds and a West Midlands Group is scheduled to start, based in Birmingham, in July 2004.
- ◆ Over 35 training events were arranged during the year. Some training events are open to staff and trustees of members' charities and to the wider sector for payment of a small fee.

A theme for our work this year has been the follow-up to the Strategy Unit Report "Private Action, Public Benefit" and implementation of the government's response to its 61 recommendations. This has included CFDG representation on a committee set up by the Charity Commission to look into development of the Standard Information Return and the information required in Trustee Annual Reports and also membership of working groups developing GuideStar UK. GuideStar UK is the project that intends to bring information about charities into a database that will be searchable on-line.

We also joined the Charities Bill Coalition and are delighted that the draft bill was published in June 2004. We were invited to give oral evidence to the Pre-legislation Scrutiny Committee and submitted our written response. We hope that the Bill will become law in the next Parliamentary year. Co-operation with other bodies is further exemplified by our involvement with the Full Cost Recovery templates being developed by ACEVO. We organised workshops of our members and acted on the advisory group.

CFDG is well represented on the Review Committee on the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP). Following the publication of the consultation draft we will be holding training meetings and working closely with the Charity Commission to produce examples to demonstrate the impact of the changes on charity accounts.

The appointments of Paul Breckell as Chair of the Board in September 2003 and David Membrey as Deputy Chief Executive in the same month have strengthened our infrastructure. Accounting is now done "in house" and, with other staff changes, strategic and operational decisions are now based on good information. We are grateful to all the Trustees and our Special Adviser and IT Adviser for all the voluntary time and effort they have given to the Group - their contribution to the sector is immense.

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In the coming year we will be putting much of our effort into:

- ◆ Working with other organisations towards obtaining a new Charities Act and consulting on the regulations that will implement many of its provisions.
- ◆ Explaining the new SORP and helping to ensure its requirements are understood and implemented.
- ◆ Increasing the accessibility and range of information available through the Charities Resource Network.
- ◆ Promoting good financial management through training, benchmarking, and good practice publications.

Membership and Member Services

Our objective for the year was to achieve 950 members from 800 charities; we achieved 987 members from 794 charities. Although a few charities did not renew membership we processed 109 new member applications during the year. We are particularly pleased that 21 members who changed jobs during the year rejoined from their new charity, showing how much they value membership of CFDG. There were no direct recruitment campaigns but a significant number are joining as a result of our enhanced Internet presence. In 2004-05 we are particularly targeting charities in the top 5,000 of income (over £0.4m) as we believe they will benefit most from the training and information services we provide.

The profile of membership types has changed little since the same time last year. Members from the largest charities with an income of over £10m per annum now form 18% of members (17% last year) and there are also free secondary members from those charities, making up another 14% of the total. The number from large charities (£5m to £10m) has reduced from 14% to 12% and from small charities (under £1m) from 15% to 14%. Medium charities (£1m to £5m) increased to 36% from 35%. The remaining 6% are paying secondary members. Some of these changes are due to changes in the income of the organisation. Regional membership has continued to increase, with 114 members attached to CFDG (Northern) and 97 registered to attend meetings of CFDG (South West & Wales). A West Midlands group is being launched in summer 2004, which we hope will provide enhanced services to existing members in the area as well as attracting new ones.

We increased the membership fees for 2004/05, the first time for three years. We still believe the information, training and services offered make CFDG exceptionally good value as a resource for finance staff in charities. Regional members pay slightly less than London ones in recognition of the fact that they currently have fewer free meetings available. All charities can have additional secondary members, and the largest are entitled to one member free as part of their fee. We have kept our target of reducing the average time from receipt of completed application to issue of new member pack and reduced it by a further day to 12 calendar days. We plan to improve this still further over the coming months following a slight change in internal accounting procedures so that new members can get their membership benefits quicker.

Before deciding to increase the fees we were able to compare ourselves with other membership organisations for charity staff and also considered a survey of the membership carried out on our behalf in the latter part of 2003. That produced encouraging results, with much appreciation amongst the membership of the services we provide and recognition of CFDG as "a collection of experienced people to go to for advice and information and to share with". The organisation conducting the survey concluded their report with the following quote from a member: "The message is maintain, maintain – no change needed".

Despite that urging, we are of course always looking for ways to develop and improve the services we offer, and we were therefore delighted to launch our new websites in June 2003. Funding from the Community Fund allowed us to create an information site, the Charities Resource Network (www.thecrn.org.uk), linked to our redesigned CFDG site (www.cfdg.org.uk).



The Charities Resource Network (CRN) website focuses on providing access to information which is of assistance to our members and others in the charity sector. One of the main benefits of membership has always been the ability to network with others and share experiences, and members are now able to search our database online for suitable contacts.



Also searchable via the CRN is a growing database of documents – information sheets from commercial organisations, CFDG meeting reports, and practical working documents provided by charities willing to share their knowledge with others. These cover the areas of Finance, HR and IT as well as general management and governance information. They have been summarised and categorised to make valuable information even easier to find, providing 1,469 results across 105 categories. Search results also include a selection of relevant signposting to other useful sources of information across the same categories, giving more than 1,000 results.

The main addition to the CFDG website is the inclusion of a news section, which has proved to be extremely popular with an average of 400 visits per week. It is updated on a daily basis to include items of interest to finance directors and the news archive now contains over 900 separate news items. We intend to add more search functionality to this area to make it even more useful.

In all, visits to the new sites are approaching 2,000 per week, rising from 1,200 at launch and only 650 prior to that development. The number of documents downloaded consistently averages 250 per week, which includes application and consultation documents as well as those held in the CRN database.

"Just to say that I really like the new site. I've already printed off some documents to help with our policy development, and I can see it's going to be a very useful resource."

Fiona Clark, London East Aids Network

"I can see already how helpful having such resources on line will be. It's definitely a very positive step forward in CFDG adding value to members."

David Locke, BMS World Mission

Although we have always to bear in mind the need to protect members' details in our database, we have tried to ensure that as much online information as possible is available to non-members.

"Thank you so much for your helpful advice and immediate response. I am most grateful"
Nick Gair, Association of Surgeons of Great Britain and Ireland

"Thank you very much indeed for your help. The information you have provided is just what I needed"

Mark Wellby, The British Academy

Now we have been running the site for a year we are ready to expand access to the restricted areas of the database by creating a separate class of membership for those working in and around the sector who are not currently eligible for CFDG membership.

Website development has allowed members even easier access to information but we are still happy to respond to individual queries. Many are answered

immediately but the membership team does in-depth research for an average of 10 such requests each month. In the past year these have covered subjects such as trustee expenses, council tax charges and performance related pay.

The Overseas Special Interest Group (OSSIG) continues to go from strength to strength, with 126 members now registered with the online discussion forum. This is a great resource for finance staff of charities working overseas, with members always keen to respond to messages posted by their colleagues' with queries and problems. OSSIG has also held three face-to-face meetings, looking at financial controls, currency management and accounting software.

Over the coming year, work in information and membership will focus on further developments to the website and database, in terms of both functionality and content. We will also be examining all our communications with members with a view to improving effectiveness and value.

As well as introducing the CRN and the expanded CFDG database, membership benefits now include special discounts from several of our subscribers on their products. Put with the telephone help line services kindly provided by our subscribers, regular training meetings, a voice of representation in government and access to the best network of knowledgeable charity finance staff, membership of CFDG remains an excellent bargain. Deloitte, Charles Russell, Control Risks Group, JP Morgan Fleming and Tate Bramald provide Helplines.

Policy and Public Affairs

The CFDG Policy staff and Public Affairs Committee continue to promote the needs and attitudes of charity finance directors to parliament, government departments and regulatory bodies. Over the

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past year CFDG's good practice work has particularly taken off with the production of our "Inputs Matter" report and the preparation, and subsequent publication, of our report on the impact of the current pensions climate on charities as employers, entitled "The Charity Pensions Maze". However over the past year there have been a number of changes in key personnel. In July 2003 Policy Officer, David Sinclair left CFDG after two very successful years. Since early 2004 this post has been frozen and supervision of the policy work returned to Chief Executive, Shirley Scott. The department currently has only one full-time member of staff, Sophie Chapman, who was promoted to Policy Officer. In October 2003, following retirement of Les Jones from the Board of Trustees, Keith Hickey took over as Chairman of the Public Affairs Committee, which approves and promotes our policy positions.

In developing our policy work the Policy Officer draws on the knowledge and understanding of members, particularly the Public Affairs Committee and Policy Development Working Group (PDWG). We are grateful to Claire Newton of Marie Curie Cancer Care for the time she gives to chair the PDWG, which comprises members and subscribers who have volunteered to receive and comment on consultations and draft responses. The PDWG meets to help frame views and assess the impact of proposals on charities. The Public Affairs Committee directs the strategy for our policy and good practice work and aims to be pro-active in achieving change.

With the introduction of International Accounting Standards moving closer we have set up a Technical Accounting Group, reporting to the Public Affairs Committee. That Group is currently helping us develop our response to proposals on those standards and on the likely impact of associated changes in accounting and audit practice. Members have been invited for their high level of technical accounting knowledge. Peter Lewis of BDO Stoy Hayward provides admirable support as technical secretary to the Group, which is ably chaired by Fiona Young of Crisis.

CFDG is aware that there are many aspects of good financial management that are not particular to charities but are part of running an efficient business. We pride ourselves on spotting legislative change that affects business practices but will have special significance or impact for charities. Examples are often related to the tax position (particularly VAT), income sources and employment of staff. CFDG alerted the sector to changes in VAT on provision of agency temps and have won a temporary reprieve; we responded to Postcomm's paper on Royal Mail's Special Privileges and have recognised the importance of the pensions crisis to charities as employers and fundraisers. We believe we serve a very useful purpose in the charity sector by keeping a watchful eye on business briefs.

November 2003 saw the release of 'Inputs Matter: Improving the Quality of Reporting in the Charity Sector', the culmination of CFDG's work on inputs into charity accounts. This was a splendid example of co-operation with working parties set up to look at three key areas of costs and report their findings to CFDG members and the regulatory bodies.

I congratulate CFDG on their initiative in seizing this part of the Strategy Unit agenda, undertaken with commendable speed.

*David Taylor,
Charity Commissioner
Foreword to "Inputs Matter"*

A bold collection of proposals was issued for consultation, which we hope will improve the quality and consistency of charity annual reports. The report received widespread coverage in the media, particularly for the controversial recommendation that a value for volunteer time should be included in the statement of financial activities, and we received many responses from CFDG members and non-members.

It achieved its main objective by successfully influencing the outcome of the SORP Committee's deliberations, which accepted nearly all of the recommendations on fundraising and management & administration costs. We plan to continue our good practice work on Inputs; the recommendation on volunteers has particular scope for practical development.

Another working group, or Taskforce, was set up under the chairmanship of Peter Griffiths, Treasurer of John Grooms, to examine changes to pensions regulation and what it means to charities. We were anxious to explore how valuation of pension funds varies and what effect the new regime will have on the balance sheets of charities. That report was published in June this year and we are scheduling in follow-up meetings, particularly with the Charity Commission.

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Over the past year CFDG has developed responses to many government consultations, such as the DTI's consultation on Director and Auditor Liability, and the Home Office Infrastructure Review. We have also responded to consultations from regulatory bodies, such as the Accounting Standards Board's paper on Proposed Interpretation for Public Benefit Entities.

CFDG's Parliamentary work also continues. We submitted a response to a House of Lords Select Committee on EU Development Aid and met several MPs in relation to pensions, gift aid, VAT and other issues. We recently had a meeting with Treasury Minister John Healey in connection with our active membership of a coalition of charities campaigning against the changes to Gift Aid for Heritage and Conservation charities. We are now working with the Inland Revenue to develop a new model for charities that will lessen the financial shortfall caused by the change.

Our detailed response to the "Private Action, Public Benefit" report, published in 2002, prefaced an active role in the development of the Charities Bill. We have spent time this year looking at proposals and participating in seminars about the proposed changes to charity law and were prepared when the draft bill was published in June 2004. We have given oral and written evidence and look forward to future involvement in development of the Act and its implementation.

CFDG are also represented on committees of a number of regulatory bodies, including the Not-For-Profit Committee of the Accounting Standards Board, the Charities SORP Review Committee and the Institute of Chartered Accountants' Charity & Voluntary Sector Group. Our co-operation with other bodies includes being represented on the committee of GuideStar UK and on the Charity Commission's working group looking into the form of Standard Information Return to meet the requirements of the government's Infrastructure Review.

Education and Training

CFDG has run a very successful programme of training events, including ten members' meetings in London and four each for our regional groups in the North and Southwest & Wales. Notably, the Southwest & Wales Group has, since the end of the financial year 2003/04 held its first ever meeting in Wales with a high turnout and good response from charities in the Principality. Negotiations for support of the new regional Group in the West Midlands has been carried out and a launch members meeting arranged for July 2004. An estimated 1,200 delegates altogether attended London and regional members' meetings during the year.

We are able to provide our members' meetings at little or no cost thanks to the generosity of our subscribers. Particular thanks to Barclays Bank, Carr Sheppards Crosthwaite, Deloitte and the Royal Bank of Scotland in London, PKF in Bristol, Numerica and the Cooperative Bank in Manchester, Addleshaw Goddard in Leeds and Baker Tilly in Birmingham. PS Financials and Harris Hill helped us with the cost of providing meetings at the Chartered Accountants Hall.

Those who support our training in so many ways are numerous and we would like to thank all those who give their time to prepare for and speak at any of our training events, especially to all our subscribers who support us with venues, speakers, ideas and advice. Only with their help can CFDG continue to expand their membership services for charity members and offer the breadth of advice and quality of information.

Our 12th Annual one-day conference, with the title "Money Matters", recognised the pressure on charity income and the need to look after it and spend it well – hence the sub-title "counting every penny, making every penny count". Five seminar streams provided a choice of 20 sessions, plus two plenaries, all planned to cover the spectrum of issues for members' charities of all sizes. One stream focussed on the role of treasurers and trustees in charities, and we were delighted to see many in attendance. (Over 25% of CFDG members are also trustee or treasurer of another charity). A successful conference, it also offered members the opportunity to learn about services to the charity sector in the conference exhibition, and to engage in networking and the exchange of experiences with their peers during conference discussions, breaks and the reception after the event

To cover other areas in more depth we held smaller specialist conferences on Investment and Information Technology, open to members and non-members. We worked with the Charity

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Commission to run a lively event in December for charities working internationally that looked at the application of the Proceeds of Crime Act, Money Laundering and other issues that are particular risk areas for them.

We were encouraged by our conferences and have gone on to plan more for the 2004/05 year. In particular we have already held a very popular IT conference in April and our 13th Annual Conference "Managing the Cost of Change" in May, both of which were extremely successful and rewarded the enormous effort by the CFDG staff team that went into them.

CFDG continued to provide additional seminars and training at low fees, which, in total, were attended by over 460 CFDG members and their associates. These events included a series of joint workshops with the Institute of Fundraising, hosted by Deloitte, and our popular one-day Introduction to Charity Finance course from BDO Stoy Hayward, to which has now been added an advanced version for those who have transferred to the sector after long experience in commerce or industry. Complexities in VAT arrangements are a persistent problem for many charities and for them the free quarterly meetings of the VAT Exchange, provided especially for us by haysmacintyre, is a vital membership benefit.

CFDG wants to educate the wider charity community as well as its own members so we were delighted to offer Investment Training for Trustees, provided for us by Chiswell Associates, which has welcomed many trustees as delegates. This course was also run in Leeds, hosted by Wrigleys, and in Gloucestershire at the Wildfowl and Wetlands Trust centre. We would like to expand the range of training available outside the London area and have offers of accommodation and plenty of topics in mind. At present we are limited by our capacity to administer events, as we have frozen a post in this area for most of the year.

A highlight of the year was the fully booked Annual Dinner in October 2003, sponsored by Royal Bank of Scotland, that gave members and corporate supporters the opportunity to celebrate yet another successful year for CFDG.

Publications

In addition to the Inputs Matter Report and The Charity Pensions Maze mentioned above we continue to publish written reports of our meetings and the Charity Finance Yearbook produced and published by Plaza Publishing. For the second year we jointly published a risk management survey with PKF – "Reaping the rewards – is risk management proving its worth". In the coming year we have plans for guidance on application of the new SORP and key aspects of financial management. We also contributed time and information to publications produced by others.

Staff and Support

The Board wishes to thank the dedication and commitment of the CFDG staff that has made so much work and progress possible. Shirley Scott, as Chief Executive, has been with us for ten years guiding our development and she has been well supported by a small team of eight who have achieved and delivered to a consistently high standard, despite staff changes and a steadily increasing work load. We are also grateful to those members and subscribers who have contributed to our work through the sub-committees shown on page 19, particularly John Graham of the NSPCC and Bonny Young of Community Networks.

Future Developments

Our challenges for the coming year are to consolidate our regional presence and confirm our status as the leading organisation for advice on the application of SORP and all aspects of charity management that fall within the role of finance staff in charities. We are also expanding our activity in the area of IT as research has shown that it is usually the Finance Director who has responsibility for IT systems.

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In terms of governance and management the Trustees are working hard with the staff to develop services and improve the effectiveness and accountability of CFDG.

Review of Financial Position

CFDG has moved into the next phase of strategic growth and the increased expenditure on the purposes of the charity reflects that. Excluding donated services, overall expenditure increased by about 22% whilst net incoming resources actually fell by 12%. This was a consequence of the winding down of the Community Fund grant for the Charities Resource Network, which resulted in receipt of less restricted money.

As usual year-end cash balances were high due to the influx of subscriptions and conference fees in late March. The Trustees still maintain their policy of transferring cash not needed for immediate working purposes to short term deposit and a transfer was made in April 2004.

Much of the £108,000 (27%) increase in expenditure from unrestricted funds (again, excluding donated services) was on policy, training events and resource network development, all of which are core to our purposes. The winding down of the restricted funding for the CRN project combined with the CRN finally being launched in June stretched the organisation to its limits. Following the very successful launch we have had a period of reorganisation not uncommon in many small charities that reach the end of a large project grant. The following 8 months were taken up with a refocusing on our core objectives and on bringing the CRN firmly into the range of core services at CFDG. Our independent membership survey confirmed to us that we were moving in the right direction.

Our investment in policy work has begun paying dividends in terms of achieving a higher profile in the media and in seeing tangible results where we have tried to influence decision makers. We will monitor it to measure the return we achieve in terms of increasing our sphere of influence and standing in the government and sector arenas. The grant of £20,000 from the Lloyds TSB Foundation was spent during the year on the 'Inputs ' project. We also received very welcome funding for our pensions project from Sedgwick and from Lane Clark & Peacock.

All the restricted current assets brought forward at the beginning of the year were expended. These all related to the Community Fund funding for the CRN and Lloyds TSB Foundation funding for policy work; both these projects were completed during the year. There is now only £41,833 representing the net book value of fixed assets relating to the CRN. A further £12,500 of restricted funding for the pensions project was carried forward.

The unrestricted general fund ended the year slightly reduced from £119,367 to £110,920; however the designated fund of £100,000 was entirely spent during the year. The Board had set this fund aside for further work on the CRN as the restricted funding was used up, and this is exactly what happened.

All staff are directly engaged in activities in furtherance of the objects of CFDG and their cost has been allocated accordingly. Management and administration costs include the outsourced accounting services and (for the first time) an allowance for the value of donated venues and refreshments. We incurred irrecoverable VAT of just under £24,000.

In our budget for the year we anticipated a deficit on the unrestricted fund of £22,000. We exceeded this by £85,000. About half of this was a result of not reaching our subscriber and charity recruitment targets for the year and a quarter is irrecoverable VAT. Work on the CRN prevented us from launching a planned recruitment drive. This has now been launched and shows welcome early signs of success. Our aim now is to prepare a budget for sustainable expansion of the activities of CFDG while containing the costs incurred in providing our many services.

Risk Assessment

The Board of Trustees have made an assessment of the risks to which the charity is exposed, particularly business, operational and financial risks, and have introduced procedures and

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reporting regimes to manage and reduce the identified risks. Trustees have agreed clear lines of delegation and authority to staff and have involved staff in recognition of risk in all their activities. Some key decisions, including recruitment of a Deputy Chief Executive, have been made as a result of risk evaluation and the Board will continue to integrate risk management into its meetings.

Reserves Policy

CFDG's free reserves – excluding unrestricted fixed assets - of £103,283 remain in line with the level previously set; namely between £70,000 and £101,000. Free Reserves are kept to manage shortfalls in income. The Trustees had planned to undertake a review of the Reserves Policy in Autumn 2003. During the year, as explained elsewhere, we have undertaken a considerable review of our income and expenditure in the light of the Charities Resource Network and it has been too early to carry out a full review. However the Trustees recognise that the charity is going through a period of growth and the Reserves Policy will be kept under review in the light of anticipated future requirements and possible contingencies.

Investment Policy

The CFDG receives income on an annual basis through membership subscriptions, sponsorships, grants and other sources. It plans activities over a three to five year time horizon and budgets to expend all anticipated income, except for retaining a prudent amount in reserves every year. It has no permanent endowment and provides for capital expenditure within the budget or through designated income funds. The only funds of CFDG that are not expendable within 12 months of receipt are reserves and any grants or contracts for activities over a longer period.

Consequently the Board of Trustees does not consider that it is prudent to invest income for the longer term. Nor does it consider that it is practical for CFDG to adopt an ethical investment policy. Its policy for investment is therefore to retain funds as cash and place them on bank deposit at the best rate obtainable.

Tangible fixed assets

The movements in CFDG's tangible fixed assets are set out in note 6.

Auditors

During the year our auditors, Chantrey Vellacott DFK, resigned and we carried out a full review of the audit function at CFDG. We put the audit out to tender and then shortlisted and interviewed three firms. As a result of this process the Board selected PKF to be CFDG's auditors for 2004. It also decided that a full review of auditors would be carried out every five years.

The Trustees would like to take this opportunity to thank Chantrey Vellacott DFK for the service they provided over the last ten years.

The proposal to re-appoint PKF as our auditors for 2005 will be presented at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD OF TRUSTEES



Paul Breckell
Chairman
26 July 2004

***Independent auditors' report to the members of
Charity Finance Directors' Group***

We have audited the financial statements of Charity Finance Directors' Group for the year ended 31 March 2004 which comprise the Statement of Financial Activities, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of Charity Finance Directors' Group for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2004 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF



Registered Auditors
LONDON, UK
26 July 2004

CHARITY FINANCE DIRECTORS' GROUP

Statement of Financial Activities for the year ended 31 March 2004

(Incorporating the income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2004 £	Total 2003 £
Incoming Resources					
<i>Activities in furtherance of the charity's objects</i>					
Grants	2	-	48,141	48,141	131,424
Members' subscriptions		248,785	-	248,785	231,723
Events and conferences		110,813	-	110,813	110,218
Policy and publications		11,000	-	11,000	12,500
Member services and training		77,229	-	77,229	40,720
Bank interest		8,934	-	8,934	12,116
Other income		2,932	-	2,932	-
Total incoming resources		459,693	48,141	507,834	538,701
Charitable expenditure					
<i>Cost of activities in furtherance of the charity's objects</i>					
Membership services		151,278	11,264	162,542	151,750
Events and conferences		173,042	-	173,042	105,783
Policy		104,608	30,574	135,182	63,585
Publications		12,186	-	12,186	26,392
Resource network development		40,492	67,033	107,525	122,159
Support costs		33,560	6,758	40,318	30,702
Management and administration		51,741	-	51,741	38,164
Total Charitable expenditure	3	566,907	115,629	682,536	538,535
Net (outgoing)/incoming resources for the year / Net (expenditure)/income for the year	4	(107,214)	(67,488)	(174,702)	166
Transfers between funds	9	(1,233)	1,233	-	-
Fund balances brought forward 1 April 2003		219,367	120,588	339,955	339,789
Fund balances carried forward 31 March 2004	9	110,920	54,333	165,253	339,955

There are no recognised gains and losses other than those in the statement of financial activities. Therefore no statement of total recognised gains and losses has been prepared. All the above amounts relate to continuing activities.

CHARITY FINANCE DIRECTORS' GROUP

Balance sheet

As at 31 March 2004

	Note	2004 £	2003 £
Fixed Assets			
Tangible assets	6	<u>49,470</u>	<u>59,701</u>
Current Assets			
Debtors	7	120,118	70,057
Short term deposits		139,710	152,643
Cash at bank and in hand		<u>84,871</u>	<u>264,697</u>
		344,699	487,397
Creditors: amounts falling due within one year	8	(228,916)	(207,143)
Net current assets		<u>115,783</u>	<u>280,254</u>
Total assets less current liabilities	10	<u>165,253</u>	<u>339,955</u>
Funds			
Unrestricted funds - general	9	110,920	119,367
Unrestricted funds - designated		-	100,000
Restricted funds		54,333	120,588
		<u>165,253</u>	<u>339,955</u>

The accounts were approved by the Board of Trustees on 26 July 2004
and signed on their behalf by:



Paul Breckell

Chairman



Stephen Williams

Treasurer

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2004

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and comply with the Companies Act 1985. The financial statements have been prepared in accordance with Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000 and applicable accounting standards.

b) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the charitable objectives of CFDG. Amounts are allocated from these funds for specific purposes by the Trustees and shown as designated funds.

Restricted income funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal. The purpose and use of the restricted funds is set out in the notes to the financial statements.

c) Incoming resources

All income is accounted for as soon as CFDG has entitlement to the income and there is certainty of receipt and the amount is quantifiable.

d) Subscriptions and events

Subscriptions and events are accounted for in the year to which they apply. Subscription income received during the year that relates to a subsequent financial accounting period is carried forward as a creditor in the balance sheet and shown as subscriptions received in advance.

e) Pension policy

CFDG operates a pensions policy in compliance with the Stakeholder pension requirements. Employees may make a contribution of at least 1% of salary and the Trustees will contribute 3% or match contributions up to 5%. Two staff who benefited from personal pension plans prior to stakeholder continued to have a separate personal pension scheme.

f) Resources expended

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all the costs related to that category. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Overheads and other salaries are allocated between expense headings on the basis of time spent.

Management and administration costs are those incurred in connection with the management of CFDG's assets, organisational administration and compliance with constitutional and statutory requirements.

g) Fixed assets

Assets with a cost in excess of £750 intended to be of ongoing use to CFDG in carrying out its activities are capitalised as fixed assets.

Depreciation is charged on tangible fixed assets at 25% of cost *per annum*, so as to write them off over their expected useful lives.

h) Taxation

CFDG is a charity registered under the Charities Act 1993, number 1054914. As such the charity is entitled to take advantage of the exemptions granted by section 505 of the Income and Corporation Taxes Act 1988.

2 Income from grants

CFDG acknowledges further funding from the Community Fund of £33,141 (2003 : £111,424) for the development of a Charities Resource Network. We also received sponsorship of £10,000 from Sedgwick Financial Consultants and £5,000 from Lane Clark & Peacock towards the costs of the Pensions Project. (2003: £20,000 from Lloyds TSB towards the Inputs Project).

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2004

3 Resources expended	Staff costs	Support costs	Other direct costs	Total 2004	Total 2003
	£	£	£	£	£
Unrestricted funds					
Charitable expenditure					
Membership services	66,421	24,797	60,060	151,278	151,750
Events and conferences	71,173	26,572	75,297	173,042	105,783
Policy	67,542	25,216	11,850	104,608	63,585
Publications	6,596	2,463	3,127	12,186	26,392
Resource network development	29,485	11,007	-	40,492	18,244
Support costs	24,437	9,123	-	33,560	24,127
Management and administration	13,216	4,934	33,591	51,741	38,164
Total unrestricted resources expended	<u>278,870</u>	<u>104,112</u>	<u>183,925</u>	<u>566,907</u>	<u>428,045</u>
Restricted funds					
Charitable expenditure					
Membership services	6,983	4,281	-	11,264	-
Events and conferences	-	-	-	-	-
Policy	18,954	11,620	-	30,574	-
Publications	-	-	-	-	-
Resource network development	41,557	25,476	-	67,033	110,490
Support costs	4,190	2,568	-	6,758	-
Total restricted resources expended	<u>71,684</u>	<u>43,945</u>	<u>-</u>	<u>115,629</u>	<u>110,490</u>
Total resources expended	<u>350,554</u>	<u>148,057</u>	<u>183,925</u>	<u>682,536</u>	
<i>Total resources expended 2003</i>	<u>293,162</u>	<u>80,016</u>	<u>165,357</u>	<u>538,535</u>	
				£	£
<i>Management and administration costs of the charity comprise :</i>					
Legal and professional				800	-
Audit fees				3,525	850
Audit fees (previous year)				1,375	-
Accountancy fees				19,000	20,633
Governance costs (inc. AGM)				5,730	1,248
Apportionment of staff and other direct costs				19,311	15,433
Donated resources				2,000	-
				<u>51,741</u>	<u>38,164</u>

Within membership services, policy services, events & conferences and management & administration other direct costs of £58,400 (2003: £27,600) relate to services donated to CFDG and were not incurred by CFDG. (See note 4b.) Had the services not been donated CFDG would have incurred this cost.

4 Net (outgoing)/incoming resources

a) These are stated after charging :	2004	2003
	£	£
Auditors' remuneration	3,525	1,383
Depreciation	22,036	14,360
Operating leases - land and buildings	28,784	28,287
	<u>33,345</u>	<u>44,030</u>

Notes to the financial statements

For the year ended 31 March 2004

4 Net (outgoing)/incoming resources (continued)

b) Valuation of donated resources

Donated facilities are included at the value to CFDG. These are largely made up of meeting venues, audio-visual equipment and refreshments. In 2003 we only calculated the benefit in relation to facilities donated for members' meetings. In 2004 we also recorded donated resources for policy and training events and Board meetings.

<i>Valuation of donated resources:</i>	2004	2003
	£	£
Policy	10,700	-
Education	23,300	-
Members services	22,400	27,600
Management & admin	2,000	-
Total	<u>58,400</u>	<u>27,600</u>

No amount is included in the financial statements for services donated by volunteers. Many members - both charity and corporate - gave generously of their time during the year. The Board would like to thank all those that have contributed their time and skills to the work of the organisation.

5 Trustees and employee information

No remuneration was paid to the Trustees during the year (2003: £Nil). Expenses of £2,626 for travel and subsistence was paid to six Trustees during the year (2003: £2,154, six trustees). Trustees' indemnity insurance premium of £250 was paid during the year (2003: £250).

<i>Employee costs during the year were :</i>	2004	2003
	£	£
Salaries	248,044	228,208
Social security	25,982	21,566
Pension	13,295	10,593
Agency staff	10,161	9,234
Freelance staff	34,625	-
Training	5,537	2,528
Recruitment	10,876	20,844
Other staff	2,034	189
	<u>350,554</u>	<u>293,162</u>

The number of employees whose emoluments amounted to over £50,000 during the year was nil (2003 nil).

	2004	2003
The average number of persons employed during the year was (fte):	<u>9.5</u>	<u>10</u>

6 Tangible fixed assets

	Office equipment	Computers	Database	Total
	£	£	£	£
Cost				
At 1 April 2003	25,290	44,446	40,000	109,736
Additions	<u>-</u>	<u>1,805</u>	<u>10,000</u>	<u>11,805</u>
	<u>25,290</u>	<u>46,251</u>	<u>50,000</u>	<u>121,541</u>
Depreciation				
At 1 April 2003	17,373	32,662	-	50,035
Charge for the year	<u>4,800</u>	<u>6,819</u>	<u>10,417</u>	<u>22,036</u>
	<u>22,173</u>	<u>39,481</u>	<u>10,417</u>	<u>72,071</u>
Net book value				
At 31 March 2004	<u>3,117</u>	<u>6,770</u>	<u>39,583</u>	<u>49,470</u>
At 31 March 2003	<u>7,917</u>	<u>11,784</u>	<u>40,000</u>	<u>59,701</u>

The above fixed assets are used to support all of CFDG's activities.

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2004

7 Debtors	2004	2003
	£	£
Trade debtors	93,134	43,935
Other debtors	3,185	10,629
Prepayments and accrued income	23,799	15,493
	<u>120,118</u>	<u>70,057</u>

8 Creditors :		
Amounts falling due within one year	2004	2003
	£	£
Subscriptions received in advance	130,642	159,186
Payment for events received in advance	50,133	12,685
Other creditors and accruals	48,141	35,272
	<u>228,916</u>	<u>207,143</u>

9 Total funds	Opening balance	Net incoming resources	Charitable expenditure	Transferred in the year	Closing balance
	£	£	£	£	£
Unrestricted - general	119,367	459,693	(466,907)	(1,233)	110,920
Unrestricted - designated	100,000	-	(100,000)	-	-
Restricted - CRN project	100,588	33,141	(93,129)	1,233	41,833
Restricted - Inputs project	20,000	-	(20,000)	-	-
Restricted - Pensions project	-	15,000	(2,500)	-	12,500
	<u>339,955</u>	<u>507,834</u>	<u>(682,536)</u>	<u>-</u>	<u>165,253</u>

The closing balance on the unrestricted fund in the 2003 Accounts was £119,367 this has been reduced by £1,233, which was moved to restricted funds as a result of a review of costs of the CRN project when the final accounts were prepared.

The unrestricted general fund represents the free funds of CFDFG which are not designated for particular purposes. The unrestricted designated fund of £100,000 for the development of Services for members was fully expended during the year.

The Restricted - CRN Project - was established in 2000 by a grant from the Community Fund to develop the Charities Resource Network. This project was complete during the year and the closing balance represents the net book value of related fixed assets.

The Inputs Project was established in 2003 with a grant from Lloyds TSB Foundation, this grant was fully used during the year.

The Pensions Project was established towards the end of the year and some of the work was carried out during the year, the project was completed during the first part of 2004/5.

10 Analysis of assets between funds

	Unrestricted general fund	Restricted funds	Total funds
	£	£	£
<i>Funds balances at 31 March 2004 are represented by :</i>			
Fixed assets	7,637	41,833	49,470
Debtors	105,118	15,000	120,118
Deposits and cash at bank	224,581	-	224,581
Creditors	(226,416)	(2,500)	(228,916)
	<u>110,920</u>	<u>54,333</u>	<u>165,253</u>

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2004

11 Operating leases

Annual commitments under non-cancellable operating leases for buildings were as follows:

	2004	2003
	£	£
Leases expiring in less than 1 year	28,784	-
Leases expiring between 1 and 2 years	-	28,287

12 Capital commitment

At 31st March 2004 there were no capital commitments.

13 Related Party Transaction

Nigel Scott - a related party to the Chief Executive of CFDG - was paid £6,000 as a consultant on the Inputs Project. (2003 : £nil)

Trustees Officers and Advisers

Registered Charity No: 1054914 **Company No:** 3182826

VAT registration No: 769375081

Board of Trustees

- Paul Breckell (Chair from 9 September 2003)
- Melvin Coleman
- Keith Hickey
- ⌘ Leslie Jones OBE (Deputy Chair to 9 September 2003)
- Stephen Mahon
- ⌘ Geoffrey Miller (Chair to 9 September 2003)
- Alan Sharpe
- ⌘ Amahl Smith
- Tom Sterry
- Helen Verney (Deputy Chair from 9 September 2003)
- Martin Waller
- Geoffrey Wheeler
- Stephen Williams (Treasurer)

⌘ *Retired from the Board on 9 September 2003.*

- *Elected to the Board on 9 September 2003*

Chief Executive and Company Secretary

Shirley Scott

Special Adviser

Pesh Framjee

Head Office and Registered Office

Camelford House
87-89 Albert Embankment
London
SE1 7TP
Web site: www.cfdg.org.uk Telephone: 020 7793 1400

Solicitors

Russell-Cooke
2 Putney Hill
Putney
London SW15 6AB

Finance Committee

- ⌘ Amahl Smith
- Tom Sterry
- Helen Verney
- Stephen Williams (Chair)

Public Affairs Committee

- Jonathan Bracken
- Peter Burrows
- Melvin Coleman
- John Graham
- Keith Hickey (Chair)
- ⌘ Leslie Jones OBE (Chair)

Marketing Committee

Charles Mesquita
Carol Sellwood
Alan Sharpe (Chair)
Helen Verney
Bonny Young

IT Adviser

John Tate

Bankers

Unity Trust Bank plc
Nine Brindleyplace
4 Oozells Square
Birmingham
BH1 2HB

Auditors

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20 Farringdon Road
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