



CHARITY FINANCE DIRECTORS' GROUP

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

31st March 2003

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

The Charity Finance Directors' Group is

- ◆ a registered charity formed in 1987 by the Finance Directors of some of the largest charities in England.
- ◆ a company limited by guarantee with objects to advance public education in and promote improved standards of management in charities.
- ◆ a membership organisation for those employed by charities to manage their finance and related functions.
- ◆ funded mainly by membership subscriptions and supported by a restricted number of leading professionals from accounting, investment, banking and other disciplines who give their time, knowledge and financial support for the benefit of charities through the Group.

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.

"We would like to congratulate CFDG on fifteen successful years of promoting public confidence in charity management. The Home Office fully supports the CFDG campaign to further raise awareness and knowledge of the sector amongst key people."

Lord Filkin

Former Home Office Minister with responsibility for charities
Speaking at the CFDG Parliamentary Reception on 19th March 2003



CHARITY FINANCE DIRECTORS' GROUP

Charity Finance Directors' Group

Annual Report and Financial Statements

For the year ending 31 March 2003

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CHARITY FINANCE DIRECTORS' GROUP

Report of the Board of Trustees

for the year ending 31 March 2003

(incorporating a directors' report)

The Board presents the report and financial statements of the Charity Finance Directors' Group for the year ended 31 March 2003. 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.

Organisational Structure

The governance of CFDG is the responsibility of the Board of Trustees. The Board comprises not more than ten Trustees who must be members of the Charity. Trustees during the period of this report are shown on page 21.

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 Board evaluates the type and size of organisation that Trustees are employed by and the relevant skills and experience Trustees have. If there is an imbalance of skills, gender, geographical location or charity type they aim to address it by encouraging individuals to stand for election when a Trustee vacancy arises or through direct consultation with relevant members on particular issues.

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.

Honorary members are appointed at the discretion of the Trustees but are not members of the company or entitled to vote. There are two active honorary members, one being the founding chairman and the other a former chairman who is now a Charity Commissioner.

We are assisted by a Finance Committee and by other Committees set up to support particular aspects of our activities. Committees are chaired by a member of the Board and have a member of staff allocated as support. They may include members and subscribers and 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.

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.

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Review of Operational Activities

Summary

- ◆ Regional membership continues to grow and the two regional groups meet regularly. To reflect the constituency the south west group changed its name to the South West & Wales group and there are plans for it to hold some meetings in the principality, in addition to those held in Bristol. The Northern group now meets regularly in Manchester and Leeds.
- ◆ Total of individual charity members grew from 870 to 983.
- ◆ 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.
- ◆ Over 30 training events were arranged during the year.
- ◆ Our first Parliamentary Reception was held to mark 15 years since CFDG was founded.

Two significant events during the year occupied much of the time of Trustees, staff and members. These were development of the Charities Resource Network, funded by the Community Fund, which was launched on 23rd June 2003, and the publication of the Strategy Unit Report "Private Action, Public Benefit" which contained 61 recommendations for change in the charities and wider not-for-profit sector.

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

- ◆ Working with other organisations towards implementation of the Strategy Unit recommendations and the proposed Charities Bill.
- ◆ Increasing the accessibility and range of information available through the Charities Resource Network.
- ◆ Providing specialist knowledge of charity finance and reporting in areas such as pensions, insurance, International Accounting Standards and the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP).

We also plan to set up another regional group and to publish guidance on good practice in Input Cost Allocation, Reserves and other key areas. This will further improve our ability to achieve our objectives and encourage good management in charities.

The growth and success of our work on advising and recommending policy in areas generic to the sector has led to a higher profile for the CFDG and increased our ability to influence change. We continue to be represented on key committees and working groups in government and the accounting bodies. To support this growth a new post of Deputy Chief Executive is being created to have responsibility for the internal operation of CFDG, including further development of the Charities Resource Network and the information and training services. This will allow the Chief Executive to advance the external affairs of CFDG, which is going to be particularly important over the next few years. We are especially grateful to members of our Public Affairs Committee, chaired by Leslie Jones, OBE, Deputy Chair of CFDG, and the Policy Development Working Group who have commented or advised on many consultation papers and government proposals to help ensure that the needs of the charity sector are recognised and understood.

To commemorate fifteen years of promoting excellence in the financial management of charities we produced a brochure to illustrate our growth, from 130 members in 1990 to 983 today. There is still a long way to go and we are sure that the Charities Resource Network (CRN) and our new staff appointment will help us move into the next phase of our development. We will play our part in supporting all those who are responsible for the effective and efficient management of charities, increasing clear accountability and contributing to self-regulation.

Yet the misconceptions and perceptions abound. I am regularly involved with FD recruitment and it takes a lot of effort to convince [Trustees and CEOs] that charity FDs are as commercial as anyone else and that charity finance covers all the mainstream finance issues plus more.

Pesh Framjee,

CFDG Special Adviser

Head of Not for Profit Group, Deloitte & Touche

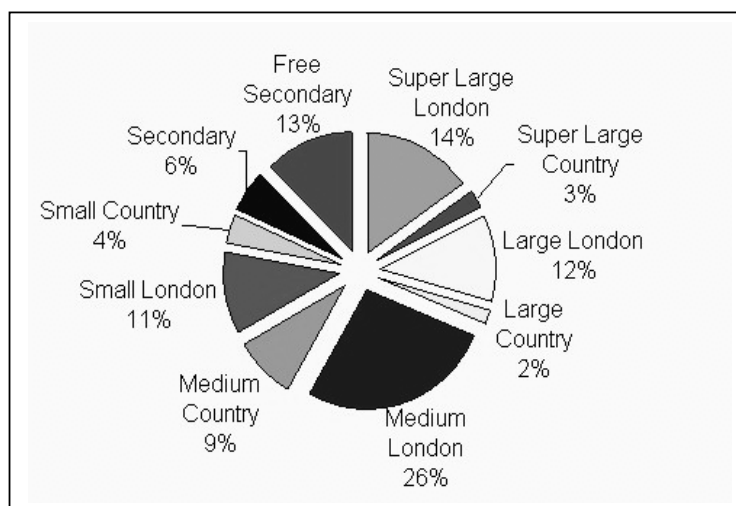
Writing in our 15th Anniversary brochure.

Membership and Member Services

Membership of the group has continued to grow, with 171 applications processed in the twelve months to April 2003. Application procedures have been streamlined, with the average time elapsing from receipt of application to issue of New Member's Pack reducing from 25 days to 13 days as a result of the improved processes. Michelle Ford, our Membership and Information Manager, has worked hard to improve the quality and range of information services available to members and others.

At 31 March 2003 total membership of CFDG was 983 members from 802 charities. Together CFDG members are responsible for approximately £9 billion of charity income.

Membership at 31 March 2003 shown by type



Membership fees vary according to the income of the member's organisation and the area where they attend meetings, with regional members paying slightly less in recognition of the fact that they currently have fewer free meetings available. All charities can have additional secondary members. Regional membership continues to grow, and there are now 98 members in the Northern regional group, with 85 registered to attend the meetings of the South West & Wales group.

This year we have installed a new database system that will be used across the organisation for membership, information and events management, and we have been working to ensure that the information we hold is as complete and as accurate as possible. We encourage members to make use of the database to facilitate networking and we are increasingly able to segment the membership to allow members to make contact with others who are likely to have relevant skills and experience. In addition to providing lists of contacts arising from tailored database searches, networking is also facilitated through on-line messaging groups, or "smartgroups". Three groups were added in February 2003, for those responsible for IT, members working in Hospices and those associated with Benevolent Funds. The Overseas smartgroup, which has been in existence since January 2002, demonstrates the benefits of this form of communication and currently has 97 members, with a total of 148 messages posted to the site over the year. Members have provided assistance to each other on such topics as electronic transfers to Ethiopia and the best software packages to use for field accounting.

Being a charity FD is more than just a job, it's a way of life, as our database shows.

- ◆ 20 per cent of CFDG members are also treasurers of other charities whose collective income exceeds £600 million.
- ◆ 75 individual CFDG members have been working in the charity sector for more than 20 years and 350 for more than 10 years.

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Of the others we know that 144 have worked in the sector for three years or less – we plan to get more information so that we can get an accurate picture of the wide range of members we represent and to help us find new ways to support their work.

During the course of the year the range of written information we hold has been expanded considerably, with documents being collected from member organisations, subscribers and contributors to the Charity Finance Yearbook for sharing with others. These are now stored in a database and have been catalogued to make it easier to find relevant information. We have also catalogued additional sources of information available from other organisations or publications.

- ◆ *Five Helplines: accounting, fraud, investment, IT and law*
- ◆ *1,131 Information Sheets distributed in the year*
- ◆ *Over 10 researched responses to members' queries per month*

We respond directly to information requests from members. Technical queries are referred to one of our helplines (provided by subscribers) and others we answer from our own resources in the office. We also have available a collection of information sheets provided by Pesh Framjee, CFDG special adviser that are listed on our website and sent on request to members and others.

We also undertake research for members to help them with their queries, ranging from information about best practice in mergers to appropriate salary scales. These more in-depth query responses are handled at the rate of about 10 per month and the majority of requests receive a response the same day.

The CRN provides access for members to their own database details via the internet, as well as allowing them to perform their own searches for relevant individuals, documents and other sources of information, and we are delighted to be able to offer this enhancement of services to our members. However, staff will continue to welcome queries from members directed to the CFDG office.

Members will also continue to receive regular updates on issues that are key to the work they do. Monthly mailings give an overview of developments in the sector, as well as information about relevant consultations and forthcoming events. With the new web site and database CFDG membership is even better value for money

Policy and Public Affairs

Over the past year, our policy work has continued to be led by Les Jones, who chairs the Public Affairs Committee that finalises, approves and promotes our policy positions. In December 2001, CFDG created a Policy Development Working Group (PDWG), which has played a vital part in helping David Sinclair, our Policy Officer, prepare responses to consultations and develop policy positions on key issues. The group has also succeeded in getting CFDG members more actively involved in policy making. The PDWG has met three times over the past year and has communicated regularly by email.

Policy development is, however, broader than the Public Affairs Committee and the PDWG. When new issues arise CFDG seeks to identify interested members and subscribers and requests comments by email, telephone or through meetings. In the past year, CFDG has played an active part in policy making and influencing in relation to the charity sector. In seeking to achieve our goal of promoting public confidence in the management of charities, we have met with many MPs, sector leaders, and other opinion formers and decision makers.

CFDG celebrated its 15th anniversary in 2003. To mark the occasion, CFDG members, together with senior MPs, Lords and sector representatives came together for a reception on the Terrace of the House of Commons in March. Hosted by Bob Russell MP and supported by PricewaterhouseCoopers we had a capacity attendance, including six former Chairs of CFDG. We were delighted that Lord Filkin, as Home Office Minister with responsibility for the voluntary sector, attended to make the key speech.

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CFDG's policy work over the past year can be best highlighted through examples.

◆ *Insurance*

In spring 2002 CFDG began to explore concerns about insurance issues raised by the PDWG and other CFDG Members. CFDG conducted some initial research, issued a press release and briefed the media about concerns regarding the increasing cost of insurance and the difficulty in obtaining insurance. Because of the increasing anxiety raised about this issue, (by CFDG and other organisations), the Home Office set up an Insurance Cover Working Group to consider the problem. Our members contributed to a Home Office document that was presented to Ministers with recommendations. The Minister provided funding to conduct further research and CFDG was heavily involved with scoping and developing this work, due to report in summer 2003.

In summer 2002 CFDG began to develop a relationship with the Association of British Insurers (ABI) and the Head of General Insurance spoke at a CFDG seminar in March 2003. CFDG urged the ABI to hold an insurance meeting to bring together the sector and the industry. The ABI did so in February 2003. The ABI are hosting another meeting in July 2003 which involves CFDG.

CFDG has continued to brief the media on insurance issues impacting on the sector. We are continuing our work with the Home Office and we are also now supporting a feasibility study into the possible creation of a charity mutual.

◆ *PIU and Strategy Unit Response*

Much of CFDG's work over the past year has been around developing policy positions in relation to the issues raised by the Cabinet Office Strategy Unit (formally Performance and Innovation Unit). We have held discussions through the PDWG and have held members meetings in London and in the regions. We conducted two extensive membership consultation exercises. There was little in the Strategy Unit Report that CFDG had strong objection to and CFDG is now actively involved in working on the detail of the proposals and ensuring that the necessary regulation and legislation is implemented. We have joined the Charities Bill coalition. The quality of our responses is illustrated through comments we have received on them (see box).

"Thank you for such a high quality and well thought out response
Paul Breckell, Finance Director, Church Mission Society

An excellent response to the report which covers an awful lot of ground.

Alan Sharpe, RSPB

Thank you for all your work, this looks good.

Andrew Ledward, Talking Newspaper Association of the UK

Thanks for this - I think it is an extremely comprehensive, useful and representative document setting out the views of members. Let's hope that the recommendations are taken into account and that the report makes it through parliament.

Liz Rosser, The Quality Assurance Agency for Higher Education

I have read it through and was very impressed. Well constructed.

Stephen Gilbert, St Wilfred's Hospice

Many thanks for the summary. Very constructive. I have copied internally.

David Taylor, Charity Commissioner, Charity Commission

Overall, I think the CFDG response is excellent. Well done, as always!

Jackie Bliss, Coram Family

◆ *Regulation*

In Summer 2002, CFDG published its "Agenda for the Future". Amongst other issues this document expressed concern about the impact of red tape on the charity sector. Over the past year, CFDG has continued to emphasise the impact of unnecessary and burdensome regulation on the sector. We have discussed this issue with MPs from the Conservative Party, the Liberal Democrats, and the Labour Party. We produced a briefing paper about the impact of red tape on the charity sector and conducted research into the extent to which Regulatory Impact Assessments consider the impact of proposed legislative change on the charity sector. We have expressed concerns with the Cabinet Office Better Regulation Unit about the poor awareness of the impact in many areas and developed a good relationship with the Better Regulation Task Force. We have accepted an invitation to become a "better regulation advisor" for the Conservative Party and been asked by the Liberal Democrats to contribute to their work on Red Tape.

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◆ *Other Issues*

Over the past year CFDG has also had successes and conducted policy work in the following areas: VAT; Full Cost Recovery; Treasury Cross Cutting Review; FRS17 and Pensions; Licensing Bill; Performance Reporting; VAT on Agency Temps; Customs and Excise.

◆ *The Future*

CFDG's Public Affairs Committee has recently approved a new policy and campaigns strategy which will seek to help CFDG achieve its charitable objective to advance public education in and promote improved standards of management in charities. The medium term objectives of this strategy are to achieve:

- ◆ An improved financial and funding environment for charities;
- ◆ Greater influence for the charity sector in the development and implementation of accounting standards;
- ◆ A reduced tax burden for the charity sector,
- ◆ A greater recognition by Government departments about the impact of regulation on charity,
- ◆ Greater public confidence in the management of charities and improved charity reporting; and
- ◆ A more flexible and supportive fundraising regime which facilitates good fundraising and promotes public confidence in the sector.

CFDG has recently begun a major project to improve inputs into charity annual reports. The project will play a vital part in improving the quality and consistency of charity annual reports and as such, will help charities move on to more accurate output and outcome measures. The new work, which has been funded by the LloydsTSB Foundation, will allow CFDG to develop input work on: Support Costs and Management and Administration Costs; Fundraising costs; Valuing of volunteers. Working Groups have been created to consider each of these issues and aid the development of a Report, scheduled for publication in October 2003, which will contain guidance on how input costs should be shown within charity accounts that are fully SORP compliant. It is anticipated that the Report will contribute to the next annual SORP review.

Education and Training

Once again we have run a very successful programme of training events, including eight members' meetings in London and four each for our regional groups. Our Annual one-day conference, entitled "All in a Day's Work" looked at the many and varied roles that face finance staff in charities and provided a choice of twenty seminars during the day. We were also supported in providing conferences on Investments, Risk and Information Technology for our members and others in the sector.

Main subject areas for our members' meetings during the year arose from the Strategy Unit Report and the continuing agenda of accountability within the sector. Speakers from the Charity Commission and the Active Community Unit explained the recommendations and likely consequences of the Report and we were able to give all members the opportunity to attend meetings on it. A meeting in London and one in each region looked into the Charity Commission review visits to charities and how they prepare for them. Commission staff were followed at each meeting by a CFDG member who had received a visit to explain their perspective. It is partly the willingness of members to provide case studies for our meetings that make them so helpful, combining as they do the theory and practical experience. We are grateful to our Subscribers who provide accommodation and refreshment for many of our members meetings, in particular Barclays Bank, Carr Sheppards Crosthwaite and Royal Bank of Scotland in London, PKF in Bristol, Numerica in Manchester and Addleshaw Goddard in Leeds.

We continued to provide additional seminars and training at low fees including joint workshops with the Institute of Fundraising which was hosted by Deloitte & Touche and our popular one-day Introduction to Charity Finance course from BDO Stoy Hayward. CFDG wants to educate the wider charity community as well as its own members so we were delighted to introduce Investment Training for Trustees, provided for us by Chiswell Associates, which has welcomed many trustees, as well as FDs, as delegates. Many charities have complex issues about their VAT arrangements and for them the free quarterly meetings of the VAT Exchange, provided

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especially for us by haysmacintyre, is a vital membership benefit. We also contribute to training events arranged by others, including the Directory of Social Change and NCVO, with the Chief Executive regularly speaking herself or recommending CFDG members.

We are really appreciative of 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. It is due to them that the Group is able to do so much towards its objectives.

Publications

We continue to publish written reports of our meetings and the Charity Finance Yearbook produced and published by Plaza Publishing. Some of our plans for publications were deferred because of the staff time and energy that went into supporting the policy work and developing the CRN. We have received funding for a report on inputs in charities (as mentioned above) and have proposals for more guidance on aspects of financial management. We also contributed time and information to publications produced by other organisations.

Charities Resource Network

This project, funded by the Community Fund, was previously called the Performance Resource Centre for Charities. It has been a tough but rewarding project and we are delighted with the service it provides for CFDG and the wider charity sector as a whole. There have been, as is almost inevitable in any IT development, delays and frustrations along the way and our planned launch of part of the service in December 2002 had to be deferred. A more complete site was launched successfully on 23rd June 2003. From April 2002 we had our Project Manager, Susan Brownrigg, in post and she worked with existing CFDG staff and one full time project assistant to deliver the database and web site that form the CRN.

Thanks to the support of our members and the determination of our staff we have collected a lot of documents, guidance, and information to help those working with charities to improve their management processes. The majority of the information in the CRN relates to the finance, information technology and human resource functions, and members can also view the details we have about them and their charity and conduct a lot of searches themselves to find others who may be able to help them. Development plans for the future include extending the range and quantity of information, improving the facilities for performance measurement and improving aspects of the web site to make it even more user friendly.

The database uses Pro2000 software from ProTech Computer Systems, who also built the web site for us. Our Special Adviser on IT, John Tate, has given us days of his time and valuable advice to help us with this major development that we appreciate very much.



Future funding will come from sponsorship and subscriptions. We are already getting many visitors to the site, which we hope will encourage supporters to fund us.

Funding

CFDG continues to obtain about 60% of its unrestricted income from membership subscriptions and fees paid by subscribers. Our only fundraising event continues to be the annual dinner, which is an opportunity for members and subscribers to meet in a convivial atmosphere. Other income comes from grants and sponsorship and we will work to broaden our funding base to obtain further grants and other forms of support to fulfil our plans for the next few years.

Future Developments

Apart from the work described under the Policy section and developing the CRN further we propose to strengthen our regional groups and plan to add a further group based in the Midlands. Already we are seeing an increase in membership as a result of the CRN and more

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press coverage from our policy work. (Just in the three months to 31 March we had articles or were quoted in the national and charity press at least 44 times). We will continue to build working relationships with other umbrella charities and membership organisations, politicians, government departments and others who can help us advance our objectives. We are confident that CFDG is a major player developing the strength and excellence that the sector, (trustees, staff, beneficiaries and donors) needs to meet the challenges of the next fifteen years. Many people express surprise that CFDG has done as much as it has with so few staff and we recognise that, if we are to grow successfully, we need to have enough staff resource to maintain our high standards in a growing organisation and take our programme forward. When our new Deputy Chief Executive joins us in September we will have taken a significant step to protect the future 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. Overall expenditure increased by about 45% whilst net incoming resources (excluding donated services) rose by about 16%. 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 2003.

Much of the £60,000 increase in expenditure from unrestricted funds was on policy and training events, core to our purposes. Expenditure on membership services reduced, partly due to re-allocation of the time of the Chief Executive to policy work and also because other costs were reduced due to increased use of the internet. This is the first full year when we have recorded separately our investment in policy work and 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 welcome grant of £20,000 from the Lloyds TSB Foundation is for work in the policy section.

The funds designated for further development, particularly the cost of additional computer equipment and software to provide enhancements to the CRN over and above the provision funded by the Community Fund, have not yet been applied as the project has not advanced as quickly as expected but they are still part of our forward plans.

Our Annual Dinner is the one event of the year that is solely intended to generate funds but was also the hardest hit by the economic climate. The surplus was reduced by £7,222, although costs were reduced by £1,600. We are grateful to all our subscribers who generously supported the dinner and also for their support of our Annual Conference.

That Conference was at a new venue in 2002 and we were able to keep delegate fees low due to the number of exhibition stands our subscribers purchase from us. We have introduced some new training initiatives, many with the help of subscribers who not only provide venues and speakers but allow us to retain the delegate fees that are used towards the staff and support costs that help us provide our services. CFDG receives no income from either the Investment Conference or the Risk Conference held during the year although they bring welcome publicity and new members to the Group.

All staff are directly engaged in activities in furtherance of the objects of CFDG and much of their cost has been allocated accordingly. Time spent by Michelle Ford in particular has been shown against the CRN development as she has had a major role in defining the database and co-ordinating the collection and preparation of data. Time of the Chief Executive has also been allocated. Management and administration costs include the outsourced accounting services. We incurred irrecoverable VAT of £12,435.

In our budget for the year we anticipated an overall deficit and came very close to returning one. Were it not for the delay in developing the CRN and the unexpected grant from Lloyds TSB Foundation we would have done so. 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.

Reserves Policy

At the start of this financial year, as explained in their last report, the Trustees were of the opinion that the free reserves available should be between £70,000 and £101,000. During the year they reviewed the position, having prepared their strategic plan for the next three years and made decisions relating to the expansion of the work and influence of CFDG, and decided to carry out an in-depth review of the situation in the autumn of 2003. Clearly the CRN creates a new commitment for the charity that cannot be fully assessed so soon after its launch. Growth has continued and we have largely escaped the effects of the period of economic downturn, so the level of free reserves at the year-end is appropriate. However, the Trustees recognise that changes to their policy may be required in the light of the expansion of CFDG.

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 reporting regimes to manage and reduce many of the identified risks. Risk assessment in relation to development of the CRN was particularly significant this year. 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 endeavour to integrate risk management into its meetings. Again, a full review will occur in 2003 to reflect changes in the operation and staffing of CFDG and the broader environment.

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 of CFDG in stocks and shares which are designed for the longer term. Nor do they consider that it is appropriate for CFDG to adopt an ethical investment policy. Its policy for investment is therefore to retain funds as cash and place it on bank deposit at the best rate obtainable.

Tangible fixed assets

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

Auditors

A resolution for the re-appointment of Chantrey Vellacott DFK as auditors of the company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD OF TRUSTEES



Geoffrey Miller
Chairman

Date: 9 September 2003

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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 2003 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985 and section 43 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's 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 charitable company and the charitable 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

As described in the Statement of Trustees' Responsibilities, the Trustees, who are the directors for the purpose of company law, are responsible for the preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the 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 Report of the Board of Trustees is not consistent with the financial statements, if the charitable company 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 and directors' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Report of the Board of Trustees and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

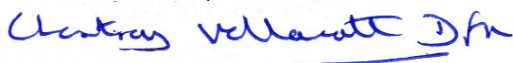
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board of the Accountancy Foundation. 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 charitable company'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 charitable company's state of affairs as at 31 March 2003 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 provisions of the Companies Act 1985.



CHANTREY VELLACOTT DFK

CHARTERED ACCOUNTANTS
Registered Auditors
LONDON

9 September 2003

CHARITY FINANCE DIRECTORS' GROUP

Statement Of Financial Activities for the year ended 31 March 2003 (Incorporating the income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	2003 Total £	2002 Total £
Incoming Resources					
<i>Activities in furtherance of the charity's objects</i>					
Grants	2	-	131,424	131,424	56,438
Members' subscriptions		231,723	-	231,723	230,214
Events and conferences		65,965	-	65,965	56,150
Publications		12,500	-	12,500	5,000
Member services and training		13,120	-	13,120	11,826
<i>Activities for generating funds :</i>					
Annual dinner		44,253	-	44,253	53,080
Bank interest		8,391	3,725	12,116	15,111
Other income		-	-	-	18,589
Member services donated	1c	27,600	-	27,600	11,650
		403,552	135,149	538,701	458,058
<i>Costs of Generating Funds :</i>					
Annual dinner		20,736	-	20,736	22,341
Net incoming resources available for charitable application		382,816	135,149	517,965	435,717
Charitable expenditure					
<i>Cost of activities in furtherance of the charity's objects</i>					
Membership services		151,750	-	151,750	163,457
Policy		63,585	-	63,585	18,349
Events and conferences		85,047	-	85,047	59,932
Publications		26,392	-	26,392	45,824
Resource Network development		18,244	103,915	122,159	-
Support costs		24,127	6,575	30,702	28,462
Management and administration		38,164	-	38,164	33,387
Total charitable expenditure		407,309	110,490	517,799	349,411
Total resources expended	3	428,045	110,490	538,535	371,752
Net incoming resources for the year	4	(24,493)	24,659	166	86,306
<i>being net income/(expenditure) for the year</i>					
Fund balances brought forward at 1 April 2002		243,860	95,929	339,789	253,483
Fund balances carried forward at 31 March 2003	9	219,367	120,588	339,955	339,789

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.

The notes on pages 15 to 20 form part of these financial statements.

CHARITY FINANCE DIRECTORS' GROUP

Balance sheet as at 31 March 2003

	Notes	2003 £	2002 £
Fixed Assets			
Tangible assets	6	<u>59,701</u>	<u>45,885</u>
Current Assets			
Debtors	7	70,057	57,574
Short term deposits		152,643	287,954
Cash at bank and in hand		264,697	65,433
		<u>487,397</u>	<u>410,961</u>
Creditors: Amounts falling due within one year	8	<u>(207,143)</u>	<u>(117,057)</u>
Net Current Assets		<u>280,254</u>	<u>293,904</u>
Total assets less current liabilities	10	<u>339,955</u>	<u>339,789</u>
Funds	9		
Unrestricted Funds - General		119,367	143,860
Unrestricted Funds - Designated		100,000	100,000
Restricted Funds		120,588	95,929
		<u>339,955</u>	<u>339,789</u>

The accounts were approved by the Board of Trustees on 9 September 2003

and signed on their behalf by:



Geoffrey Miller
Chairman

The notes on pages 15 to 20 form part of these financial statements.

Notes To The Financial Statements for the year ended 31 March 2003

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 in accordance with Statement of Recommended Practice on Charity Accounts (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. Of these funds amounts are allocated for specific purposes by the Trustees and are 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.

Donated facilities for free members' meetings are included at the value to CFDG. No amounts are included in the financial statements for other donated facilities including space for Trustee and other meetings or training events nor for services donated by volunteers.

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**

The Trustees operate 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 have a separate personal pension scheme.

CHARITY FINANCE DIRECTORS' GROUP

Notes To The Financial Statements for the year ended 31 March 2003

Accounting Policies *(continued)*

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. Other salaries are allocated between expense headings on the basis of time spent and overheads are allocated between expense headings as follows :

Membership services	50 %
Policy	15 %
Events and conferences	15%
Publications	10 %
Support costs	10 %

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 so as to write them off over their expected useful lives at the following rates :

Office equipment	25 % of cost per annum
Computer systems	25 % of cost per annum
Database system	25 % of cost per annum

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

The CFDG acknowledges funding from the Community Fund of £111,424 (2001 : £56,438) for the development of a CRN and a grant from Lloyds TSB Foundation of £20,000 (2002 :£nil).

CHARITY FINANCE DIRECTORS' GROUP

Notes To The Financial Statements for the year ended 31 March 2003

3 Resources expended	Staff costs £	Support costs £	Other direct costs £	Total 2003 £	Total 2002 £
Unrestricted Funds					
Direct Charitable expenditure					
Membership services	67,016	41,784	42,950	151,750	163,457
Policy	48,335	12,535	2,715	63,585	18,349
Events and conferences	49,075	12,535	23,437	85,047	59,932
Publications	15,901	8,357	2,134	26,392	45,824
Support costs	13,462	10,665	-	24,127	26,212
Resource Network development	18,244	-	-	18,244	-
	<u>212,033</u>	<u>85,876</u>	<u>71,236</u>	<u>369,145</u>	<u>313,774</u>
Other expenditure					
Costs of Generating Funds :					
Annual dinner	-	-	20,736	20,736	22,341
Management and administration of the charity	12,153	-	26,011	38,164	33,387
Total unrestricted resources expended	<u>224,186</u>	<u>85,876</u>	<u>117,983</u>	<u>428,045</u>	<u>369,502</u>
Restricted Funds					
Direct Charitable Expenditure					
Resource Network development	<u>68,976</u>	<u>6,575</u>	<u>34,939</u>	<u>110,490</u>	<u>2,250</u>
Total resources expended	<u>293,162</u>	<u>92,451</u>	<u>152,922</u>	<u>538,535</u>	<u>-</u>
Total resources expended (2002)	<u>172,613</u>	<u>2,250</u>	<u>196,889</u>	<u>-</u>	<u>371,752</u>

Management and administration costs of the charity comprise:

Legal and professional	-	6,313
Audit fees	850	975
Accountancy fees	20,633	14,210
Governance costs (inc. AGM)	1,248	1,012
Apportionment of staff and other direct costs	<u>15,433</u>	<u>10,877</u>
	<u>38,164</u>	<u>33,387</u>

Within membership services other direct costs of £27,600 (2002: £11,650) relate to services donated to CFDG and were not incurred by CFDG. Had the services not been donated CFDG would have incurred this cost.

4 Net incoming resources	2003 £	2002 £
These are stated after charging :		
Auditor's remuneration		
For audit	850	975
For other services	533	1,100
Depreciation	14,360	13,819
Operating leases - land and buildings	<u>28,287</u>	<u>29,150</u>

CHARITY FINANCE DIRECTORS' GROUP

Notes To The Financial Statements for the year ended 31 March 2003

5 Board of Trustees and employee information

- a) No remuneration was paid to the Board of Trustees during the year (2002: £Nil). Expenses of £2,154 for travel and subsistence was paid to six Trustees during the year (2002: £1,449, four trustees). Trustees indemnity insurance of £250 for the Board of Trustees was paid during the year (2002: £250).

	2003	2002
b) Employee costs during the year were :	£	£
Salaries and wages	228,208	137,735
Social security costs	21,566	11,732
Pension costs	10,593	7,042
Agency staff costs and other costs	32,795	16,104
	<u>293,162</u>	<u>172,613</u>

- c) The number of employees whose emoluments amounted to over £50,000 during the year was as follows:

£50,000 - £60,000	<u>1</u>	<u>1</u>
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The average number of persons employed during the year was:	<u>10</u>	<u>6</u>
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6 Tangible fixed assets

	Office equipment	Computers	Database	Total
	£	£	£	£
Cost				
At 1 April 2002	21,540	40,020	20,000	81,560
Additions	3,750	4,426	20,000	28,176
	<u>25,290</u>	<u>44,446</u>	<u>40,000</u>	<u>109,736</u>
Depreciation				
At 1 April 2002	11,986	23,689	-	35,675
Charge for the year	5,387	8,973	-	14,360
	<u>17,373</u>	<u>32,662</u>	<u>-</u>	<u>50,035</u>
Net book value				
At 31 March 2003	7,917	11,784	40,000	59,701
At 31 March 2002	<u>9,554</u>	<u>16,331</u>	<u>20,000</u>	<u>45,885</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 2003

7 Debtors		2003	2002
		£	£
	Trade debtors	43,935	36,604
	Other debtors	10,629	7,382
	Prepayments and accrued income	15,493	13,588
		70,057	57,574
		70,057	57,574
8 Creditors :			
	Amounts falling due within one year	2003	2002
		£	£
	Subscriptions received in advance	171,871	103,689
	Other creditors and accruals	35,272	13,368
		207,143	117,057
		207,143	117,057
9 Total funds			
	Opening balance	Net incoming resources	Charitable expenditure
	£	£	£
	Unrestricted - General	143,860	382,816
	Unrestricted - Designated	100,000	-
	Restricted - Community Fund	95,929	115,149
	Restricted - Lloyds TSB grant	-	20,000
		339,789	517,965
		339,789	517,965

The General reserve fund represents the free funds of the charity which are not designated for particular purposes. The Unrestricted – Designated Fund is for further development, particularly enhancements to the Charities Resource Network. The Restricted - Community Fund was established in 2000 by a grant from the Community Fund to develop the Charities Resource Network. The Restricted - Lloyds TSB grant fund will be expended on a project concerned with input measurement in charity accounting.

10 Analysis of assets between funds

Fund balances at 31 March 2003 are represented by :	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£
Fixed assets	15,201	44,500	59,701
Debtors	70,057	-	70,057
Cash	341,252	76,088	417,340
Creditors	(207,143)	-	(207,143)
	219,367	120,588	339,955
	219,367	120,588	339,955

CHARITY FINANCE DIRECTORS' GROUP

Notes To The Financial Statements for the year ended 31 March 2003

11 Operating leases

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

	2003	2002
	£	£
Leases expiring: After 3 years	28,287	29,150

12 Capital commitment

At 31st March 2003 there was a commitment of £10,000 to purchase a database management system for use by the Charities Resource Network (Restricted Fund). (2002 : £30,000).

13 Related Party Transaction

There were no related party transactions during the year. (2002 : £150 paid to Nigel Scott, husband of the Chief Executive of CFDG, for training services).

Trustees Officers and Advisers

Charity No: 1054914 **Company No:** 3182826
VAT registration No: 769375081

Board of Trustees

Geoffrey Miller (Chairman)
Leslie Jones OBE (Deputy Chairman)
Stephen Williams (Treasurer)
Paul Breckell
Stephen Mahon
Alan Sharpe
Amahl Smith
Helen Verney
Martin Waller
Geoffrey Wheeler

Chief Executive and company secretary
Shirley Scott

Special adviser
Pesh Framjee
Head of Voluntary Sector Group, Deloitte & Touche

IT Adviser
John Tate

Auditors
Chantrey Vellacott DFK,
Russell Square House,
10-12 Russell Square,
London, WC1B 5LF.

Bankers
Unity Trust Bank plc,
Nine Brindleyplace,
4 Oozells Square,
Birmingham, B1 2HB.

Solicitors
Bircham Dyson Bell,
50 Broadway,
Westminster,
London, SW1H 0BL

Charity Finance Directors' Group

Head office/Registered Office: Camelford House, 87-89 Albert Embankment, London, SE1 7TP
Web site: www.cfdg.org.uk Telephone: 0207 793 1400