



Financial viability of applicants

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Do we mean by financial viability

- Going concern
- Can continue for a period of 12 months
- Responsibility of trustees in a charity
- Tricky considerations for Auditors/Independent Examiners
- Important for grant givers
 - Bottomless pit

Financial information

- Last set of audited/independently examined accounts
 - Likely to be very out of date
- You need up to date information
 - Latest management accounts
 - Bank statements
 - Financial forecasts and scenario planning
 - What other funding has been secured
 - Current free reserve levels

Consider what type of funding are you providing

- Specific restricted funding for a project
 - Can they deliver
- Core costs
- Resilience funding
 - Sustainability
- View on free reserves may change



How to review the management accounts

- SOFA
 - Funds structure
 - Are they making unrestricted deficits
- Balance sheet
 - Net current assets/liabilities
 - Analysis of assets between funds
 - Reserves
- Auditor's/Independent Examiner's Report on last statutory accounts

Free reserves what do we mean

- Total unrestricted funds
- Excluding:
 - Tangible fixed assets (net of any associated loans)
 - Designated funds
 - [Pension liabilities]
- Do not include restricted funds and endowment funds

Calculation of free reserves

Balance sheet 31.12.18	£
Tangible fixed assets	95,000
Investments	37,000
	132,000
Current assets	22,000
Current liabilities	(8,000)
NCA	15,000
Net assets	147,000
Restricted funds	118,000
Unrestricted – general	19,000
Unrestricted - designated	10,000
Total funds	147,000

Analysis of Net Assets	General	Designated	Restricted	Total
	£	£	£	£
Tangible fixed assets	6,000		89,000	95,000
Investments	1,000	10,000	26,000	37,000
NCA	12,000		3,000	15,000
Total net assets	19,000	10,000	118,000	147,000

The policy

£10,000 - £39,000

Representing 3 – 12 months of operating costs

Calculation of free reserves

Balance sheet 31.12.18	£
Total funds	147,000
Less: restricted funds	(118,000)
Less: designated funds	(10,000)
Less: general fixed assets	(6,000)
Free reserves	13,000

Assessing the level of reserves

- The policy
 - Risk based approach
 - Not a number of months
- Target range
- The 3 month scenario

In the COVID world

- Be careful not to be too rigid about funding charities with reserves
 - Need to know they are sound
- Understand the policy and where they are now
 - May need resilience funding
 - Be flexible about the type of funding – core
 - They have come to you because they have a funding gap
- Consider which sorts of organisations you want to fund

Questions?



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Thank you

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