

Glossary of terms: Governance and finance



Accounts

A record of your income and expenditure over a period of time (usually a year). This is a legal requirement for companies and charities. Non registered groups may choose to keep an income and expenditure log.

Aims

Statements of intent usually written in broad terms and set out what you hope to achieve.

Asset

A useful or valuable possession of an organisation.

Asset lock

Assets cannot be distributed to members.

Audited accounts

Accounts that have been checked by a qualified accountant.

Board/Management Committee

The group of individuals ultimately responsible for the strategic management of your organisation (see organisation structure document).

Charitable objects

The objects defined in English and Welsh law as charitable.

Charitable incorporated organisation (CIO)

Charitable Incorporated Organisation (CIO) is a new incorporated form created by the Charities Act 2006. Many aspects of the CIO are similar to those of a company limited by guarantee, but the CIO can only be used by an organisation which is charitable.

Charity Commission

The charity regulator.

CIC

Community Interest Company – a legal vehicle created for non-charitable social enterprises.

CIC Regulator

The Community Interest Company regulator.

CLS Company

Limited by Shares.

CLG Company

Limited by Guarantee.

Community Benefit Societies

Businesses that are run for the benefit of the wider community, re-investing profits in the community.

Companies House

The registrar for all companies.

Constitution

The governing document of an organisation, for companies this is called its Memorandum and Articles of Association, for Co-operative Societies it is called its Rules.

Co-opt

To appoint a director usually by resolution of the other directors of an organisation.

Co-operative Societies

Businesses that are run for the benefit of their members, distributing profits between their members.

Corporation tax

The tax paid by companies on their profits.

Debt finance

Raising money by borrowing.

Designated Reserves

Designated reserves are a portion of unrestricted reserves earmarked for specific purposes.

Directors

The group of individuals ultimately responsible for the strategic management of a Community Interest Company or a Company (see organisation structure document).

Dissolution Dissolving an organisation.

Dissolution clause

The clause in your governing document that described what will happen to any surplus cash or assets if an organisation is dissolved.

Dividends

Distributions of profit by a company

Equity finance

Raising money by selling shares.

Equity investment

Raising money by selling shares.

Excluded company

A company which cannot be a community interest company (CIC) under the CIC regulations.

Exempt charity

A charity which is exempt from registration usually because other regulator has jurisdiction. There is a specific list of organisations which benefit from this exemption in the relevant legislation. Under the 2006 act this exemption is coming to an end so that most exempt charities will need to register in future.

Excepted charity

A charity which is excepted from the duty to register with the Charity Commission. These include charities associated with the armed forces and the Scout and Girl Guide Associations.

Fiscal Year

A fiscal year is a 12-month period that an organisation uses to report its finances.

Free reserves/ Unrestricted reserves

Income that is freely available to spend on any of the charity's purposes.

Gift aid

The tax relief available on donations of cash to charity.

Governing document

Also referred to as a constitution for charities or voluntary groups, for companies this is called its Memorandum and Articles of Association, for Co-operative Societies it is called its Rules.

Grants

Gifts of funding.

Income and Expenditure Sheet

A record/log of monies received and spent over a defined period (usually a year). This may be kept by a non-registered voluntary group in place of a set of accounts. It should include any carry over from the previous year.

Incorporated business

A legal entity in its own right.

Incorporation

Becoming an incorporated organisation

Investors

Organisations and individuals who transfer funds to an organisation in expectation of a return.

Limited liability

Whereby a person's financial liability is limited to a fixed sum. LLP Limited liability partnership. Loans Monies lent in return for the payment of interest.

Management Committee/Board

The group of individuals ultimately responsible for the strategic management of your organisation (See Organisation Structure document).

Membership

The members of an organisation.

Memorandum and Articles of Association

The constitution of a company.

Mission/Mission statement

A mission is an expression, made by its leaders, of their desires and intent for the organisation. A mission statement is used to explain, in simple and concise terms, its purpose(s) for being.

Net assets

Gross assets minus liabilities.

Objects

The aims of an organisation as detailed in its constitution.

Objectives

An objective is a measurable step you take to achieve a specific goal or strategy.

Office of the Third Sector

The Government department responsible for the Third Sector.

Performance related interest

Interest on a loan which is calculated according to the organisation's performance.

Pre-commencement societies

These are industrial and provident societies, registered before 1 August 2014.

Primary purpose trading

Trading in furtherance of a charity's charitable objects

Profits/surpluses

The income made by an organisation after deduction of expenses.

Property

Land, buildings and other assets.

Public/community benefit

Benefit to the public, a requirement of charitable status. Also central to Community Interest Companies and IPS community benefit societies.

Rate relief

The tax relief available for charities and sometimes voluntary and community organisations from rates.

Regulation

The Government rules which regulate an organisation.

Reserves

Reserves are profits that have been appropriated, or set aside, to be used for a specific purpose further down the line.

Reserves Policy

A reserves policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves.

Restricted reserves

Restricted reserves can only be used for specific purposes. Restricted funds provide reassurance to donors that their contributions are used in the manner they have chosen.

Secured loans

A loan which is secured against property, like a mortgage.

Share capital

A nominal figure which is used to represent the total net assets.

Shareholders

The owners of the company limited by shares.

Significant asset

An asset of high value such as a building.

Social mission

The non-commercial purpose of a social enterprise.

Sole trader

An individual in business alone.

Stamp duty

The tax paid on property transactions.

Tax relief

Relief from taxes.

Total incoming resources

A charity's 'total incoming resources' means the charity's total receipts from all sources, including grants, donations, investment income and trading receipts.

Trading subsidiary

A company with a sole member which is a charity. The trading subsidiary is usually established to carry out trading activities which a charity is not able to carry out itself.

Trust

A type of legal entity without limited liability.

Trustees

The group of individuals ultimately responsible for the strategic management of a charity (see organisation structure document).

Unaudited accounts

Unaudited financial accounts have not been subjected to an independent verification and review process. Your financial accounts remain unaudited until they are scrutinized and approved by a certified external auditor.

Unrestricted reserves/Free reserves

Income that is freely available to spend on any of the charity's purposes.

Unsecured loans

A loan which is not secured against property.

Unincorporated organisation

A type of legal entity without limited liability.

Values

Organisational values describe the core ethics or principles which the organisation will abide by, no matter what.

Voluntary Group

A voluntary group (also sometimes called a voluntary organisation, common-interest association, association, or society) is a group of individuals who enter into an agreement, usually as volunteers, to form a body (or organisation) to accomplish a purpose.