

FNCYO Community Business Account

Trustees Financial Review Year Ending: March 2020

Trustees Meeting ✓ 07 June 2020
Committee Meeting Click or tap to enter a date.

Trustees:

Christoph Ruda	Chair
Mike Corrigan	Vice Chair
Julia Crook	Secretary
Zannie Fraser	Fundraising Secretary
Richard Brooke	Treasurer

The above trustees having due regard to their collective responsibility for the financial position of the charity “Friends of Norfolk County Youth Orchestra”, have reviewed the following documents to allow them to formulate their conclusions stated in the following paragraphs which form the Financial Review for the year ending March 31st 2020.

Documents reviewed

- Charity Commission guidelines.
- FNCYO governing documents
- Treasurers annual report prepared for the Annual General Meeting.
- The external independent examiners interim report.
- Minutes of trustee and committee meetings held in person and on-line.
- Position paper set out by the interim director of NCYO – Juliet Rickard, outlining future management changes within NCYO and their hopes and aspirations going forward.

Introduction

The trustees recognize that the financial year ending 31st March 2020 has been an exceptionally challenging year. The year began with the resignation of the previous treasurer, Mr. Bruce Johnson, at the previous year’s AGM. With no treasurer in place at either NCYO/FNCYO, NCYO moved to set up a partnership with Open Youth trust who accepted accounting and safe-guarding responsibilities and provided concert and rehearsal space in a city centre location. The period of June to August saw the appointment of several key positions now filled by the current trustees as replacements for former trustees who had chosen to stand down.

The removal of key funding from the Norfolk Music Service in July 2019 presented an immediate threat to the continuation of NCYO as an entity and provided the necessary impetus for FNCYO to appoint a dedicated trustee with responsibility for fund-raising, in order to raise the funding required to support NCYO. January saw the beginnings of the Covid-19 pandemic which necessitated change to the way FNCYO governed itself with regard to meetings. The full impact of the pandemic has yet to be realized but the trustees are cognizant of the risks a continuing epidemic might pose and are taking the necessary steps to mitigate the effects.

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Accounts

The accounts as prepared by the treasurer have been internally scrutinized by the trustees and externally by Mr. Roger Dyndal who was appointed as an independent examiner in line with FNCYO's governing document and recognition that fund-raising might exceed the threshold value set by the Charities Commission making independent external examination of the accounts mandatory. Ledger balances were reconciled against bank statements and current bank balances.

The trustees express the opinion that the accounts form a clear, concise, and accurate record of the year's financial activities. The trustees further recognize the benefits of moving from presenting the accounts on a cash only basis to that of presenting them on an accrual's basis where outstanding payments and receipts are recognized thus allowing a clearer statement of affairs with better forward planning. The accounts have been adopted for the year ending 31st March 2020.

Restricted Funds

The trustees reviewed the amounts held in restricted funds and concluded that they were being held and used in conjunction with donors' express wishes.

Working Capital and Cash flow

The trustees reviewed the total assets held and concluded that the amounts were sufficient for the planned Spring and Summer concerts but, subject to public donations received at these two events, further fund-raising might be required to support the Autumn concert programme planned. The large amount of assets held in restricted accounts with limitations on spending was recognized as posing a potential risk to cash flow necessary for the support of running costs incurred by NCYO.

Liabilities and Accruals

The trustees reviewed what liabilities remain outstanding on the accounts. An un-cashed cheque to the value of £185.13 was considered no risk, however the unpaid membership fees amounting to £2,790.20 was recognized as a significant material threat to working capital and cash flow if allowed to go on unresolved. The trustees recognized that a large HMRC Gift-Aid refund was outstanding which would serve to mitigate the cash flow position temporarily but could not be relied upon in future. See paragraphs entitled "Summary" for further detail.

Reserves

The trustees took a collective decision to establish a reserves fund. This decision was primarily taken on the criteria set out below.

- Recognition that as fund-raising continued, much of the funding was ring-fenced and placed in restricted accounts preventing it from being used for NCYO running costs.
- A desire to set up sufficient reserves to allow NCYO to continue to run for 6 months in the event that fund-raising efforts were unsuccessful.
- To cover any unanticipated or unplanned expenditure, e.g. loss of deposit on Belsey bridge residential course following unforeseen circumstances.

The reserves fund currently stands at £3,507.50 with provision to increase over time.

Items of Material significance

The trustees recognize the following events/actions that occurred throughout the financial year as items of material significance.

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- Resignations of key positions of former trustees. The committee of NCYO acted as quickly as possible to find and appoint new trustees in key positions they identified.
- Resignation of the former treasurer. The committee acted to find and appoint a new treasurer. The intervening period when no appointed treasurer was in place was covered by another trustee acting as treasurer.
- Loss of funding from Norfolk Music Service. The committee acted to appoint a dedicated trustee with responsibility for fund-raising, such that the necessary financial support could still be offered to NCYO to allow it to continue to run. The trustees approved a donation to Open Youth Trust of £15,000 who had assumed financial responsibility for NCYO accounts including the billing of student fees following the loss of those services as a consequence of NCYO separating from Norfolk Music Service and FNCYO having no appointed treasurer in place.
- The trustees moved to appoint an independent external examiner having taken due regard of FNCYO's governing documents and charity commission guidelines.
- The trustees acted to remove financial responsibility for collection, holding and disbursement of student fees on behalf of NCYO from Open Youth Trust. Future invoicing of student fees would be carried out by NCYO admin team in conjunction with FNCYO's Treasurer. This action was taken in part due to trustees' recognition that NCYO/FNCYO were desirous of re-gaining financial control now that an appointed treasurer was in place.
- Covid-19 pandemic. The trustees moved to adopt alternative procedures to maintain control of the charity's functions and activities following introduction of Government restrictions and the subsequent lockdown which has prevented holding of person to person committee and trustees' meetings. Online meetings are held regularly, and a portal has been set up for on-line document storage of accounts, meeting minutes, forms and other documents.

Risks & Mitigations

The following table identifies financial risks recognized throughout the financial year under review and those outstanding risks to the financial position of FNCYO and it's ability to continue to function as a charity.

No.	Risk	Mitigation
1	Unpaid Student Fees – impact on working capital	FNCYO to work closely with NCYO to manage debt recovery. Explore possibility of moving to direct debit scheme instead of the current large bi-annual payments.
2	Reduced Cash flow does not cover anticipated running costs	HMRC Gift aid refund should cover running costs for the next financial year when they are realized
3	Fund-raising targets are not realized – FNCYO records a deficit for the financial year	NCYO will cut programme of activities to only those that FNCYO can financially support. FNCYO to continue to fund-raise.
4	Loss of donation to Open Youth Trust due to unforeseen circumstances	FNCYO takes control of financial responsibility temporarily pending NCYO's successful adoption by Guildhall. NCYO institutes better financial controls including invoice only payment approval based on polling.
5	Liquidators Price Bailey identify outstanding liability remaining from Open Youth Trusts accounts	Price Bailey contacted by external examiner Apr 2020 requesting statement that no outstanding liability is recognised. No response to date. External examiner to contact Price Bailey again

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		stating that if nothing heard within next 4 weeks we will consider matter closed.
6	Cash based accounting practices do not provide sufficient clarity	FNCYO to move to Accruals based accounting practice.
7	Loss of concert and rehearsal space at OPEN Youth Trust - loss of income from ticket and programme sales.	NCYO to explore potential new venues - Langley and Gresham schools have expressed interest.
8	Public attendance at concerts falls impacting donations	NCYO has access to FNCYO funding to introduce the orchestra to new audiences with the hope of wider exposure attracting higher concert attendance
9	Covid-19 – anticipated related liabilities	FNCYO to work closely with NCYO to understand financial impact in event of return of student fees and/or charitable donations etc. NCYO to consider purchase of Insurance to cover similar events going forward.

Summary

The trustees regard the surplus of £30,551.40 recorded against the previous financial years deficit of £7,577.30 as representing a welcome turnaround and testament to the success the charity has had in fundraising. The trustees recognize that without the fundraising, donations and gift aid refunds, the charity would have recorded a deficit of £1,507 which would have reduced working capital. Further, had NCYO been able to run the full programme of events they had planned for, it remains doubtful that this could have been achieved without further fundraising and /or donations to support them.

The Gift Aid refunds will provide a welcome addition to income revenue which will go some way to ameliorating the cash flow position for the next financial year. However, the trustees recognize that a significant proportion of the refunds was due to a large donation received in 2018 and is something that cannot be relied upon going forward. With the current Gift Aid secretary expressing the wish to step down from the position, the trustees are cognizant of appointing a replacement at the earliest possible opportunity such that this important income stream can be realized on an annual basis, thus preventing distortion of the accounts. Every opportunity to request donations are gift aided should continue to be taken.

The picture is further complicated by the effects of Coronavirus Covid-19 pandemic which led to the cancellation of Belsey Bridge residential course and the Spring concert scheduled for April 2020. The full impact of the pandemic cannot be assessed at the time of writing but Trustees and Committee members are mindful of the fact that if refunds to charitable donors and the return of some portion of students fees result, this will impact the next years financial figures significantly. A reduction in working capital and liquidity could well result.

In conclusion, the account currently shows a healthy balance moving into the next financial year, but additional fundraising efforts will be required to maintain the current level of support to NCYO let alone fund any additional expansion. Otherwise the charity may be forced to request NCYO re-evaluates their budget proposals and limit their programme of events to those we are financially able to support.

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Action List

The Trustees annual report requires completion for presentation to the auditor and once signed off by him, submission to the Charities commission.

Copy of this report to be handed/emailed to Julia as Secretary for filing.

Copy of this report to be disseminated to all Trustees and committee members.