

List of financial terms 2022/23

Endowment funds	<p>Endowment funds are restricted assets held to benefit an organisation long-term. Endowments are property, cash or other investments that are held by a charity in the long term. These assets do not have to be spent on delivering your purpose but can be held to generate income. The income can be spent in line with the purpose of endowment.</p> <p>Examples: heritage buildings, general endowments to support ongoing costs, endowments to support bursaries, scholarships or specific posts.</p>
Restricted funds	<p>Restricted funds are those funds that are donated or granted for specific purposes stated by the funder. Restricted funds can only be used for the purposes for which they were given.</p> <p>Examples: project grants, capital funding, public appeals for restoration of a venue.</p>
Unrestricted Designated funds	<p>Designated funds are unrestricted funds that the trustees have set aside for a particular purpose. Such funds can be undesignated or re-designated.</p> <p>Examples: funds set aside for a major project in the next one or two years, a development fund set aside to provide seed corn or match funding for projects or a fund to support innovation within the organisation.</p>
Unrestricted general funds	<p>Unrestricted general funds – these are funds that a charity has received from a donor and which are not held for any particular charitable purpose. They can be spent as deemed fit by the trustees.</p> <p>Examples: core grants from public funders, trading income, interest on main bank accounts.</p>
Free reserves	<p>Unrestricted undesignated funds not tied up in fixed assets and investments, therefore freely available for use essentially ‘liquid assets’</p>
Financial Statements	<p>Also known as: audited/unaudited accounts, annual accounts, statutory accounts. A statutory report on an organisation’s financial activities and performance over a fixed period (normally a year), and financial position at a point in time i.e; balance sheet, profit and loss statement (also known as income statement)</p>
Cash flow forecast	<p>Report on the estimated sources of an organisation’s income, how it plans to spend cash, when it will receive and spend cash, and the resulting change in the organisation’s cash balance.</p>

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Budget	A plan of income and expenditure for a future period.
Management accounts	Management accounts are an internal monitoring tool and present information for planning and control in the most helpful form for management and board.
Business plan	<p>A business plan is a written document that describes your business. It covers objectives, strategies, sales, marketing and financial forecasts. A helpful guide to business planning can be found here: ‘Business planning guidance for arts and cultural organisations’</p> <p>Updated business plan - A refreshed business plan, including detailed budgets, that sets out the planned activity for the remainder of the investment period. The business plans and statements must have been approved by the board or equivalent governing body,</p>
Fixed assets	Fixed assets are long-term assets that a firm owns and uses to produce income and is not expected to be used or sold within a year. Fixed assets include land, property, equipment, investments, tangible and intangible assets.
Current assets	Current assets are all the assets of a company that are expected to be sold or used as a result of standard business operations over the next year. Current assets include cash, cash equivalents, accounts receivable, stock inventory, marketable securities, pre-paid liabilities, and other liquid assets.
Current liabilities	Current liabilities are a company's debts or obligations that are due to be paid to creditors within one year.
Non-current liabilities/Long-term liabilities	Non-current liabilities, also known as long-term liabilities, are obligations listed on the balance sheet not due for more than a year.
Salaries	<p>Salaries are those staff costs not directly working on the project or programme of activity. Salaries are incurred regardless of a project or programme of activity.</p> <p>Examples: marketing, general management/administration staff.</p>
Direct activity cost	Direct costs are those for all aspects of a project or programme of activity. They include salaries (and on-costs) and fees for permanent and temporary staff working on the (creative and cultural) programme, freelancers, materials and production costs.

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Overheads	Overhead refers to the ongoing business expenses not directly attributed to creating a product or service. It is important for budgeting purposes but also for determining how much a company must charge for its products or services to make a profit. In short, overhead is any expense incurred to support the business while not being directly related to a specific product or service.
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