

**Keystone Accountability
Trustees' Report and Accounts
For the Year Ended
31 March 2011**

Charity number: 1118999
Company number: 6000240

**KEYSTONE ACCOUNTABILITY
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KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT

I. Reference and Administrative Details

Name of the Charity: Keystone Accountability
Known commonly as: Keystone

Charity registration number: 1118999
Company registration number: 6000240

Address of registered office: Suite 217, 258 Belsize Road, London, NW6 4BT

Names of the Charity's Trustees:

- Peter Hero
- Jack Lange
- Eric Kolodner
- John Goldstein (resigned 2 September 2010)

Name of the Chief Executive: David Bonbright

Names and addresses of other relevant organisations or persons:

- Bankers: HSBC, 74 Goswell Road, London, EC1V 7DA
- Solicitors: Bates Wells & Braithwaite, 2-6 Cannon Street, London, EC4M 6YH, UK
- Independent Examiners: haysmacintyre, Fairfax House, 15 Fulwood Place, London, WC1V 6AY

II. Structure, Governance and Management

Nature of the governing document: Memorandum and Articles of Association of Keystone Accountability, dated 15 November 2006.

Constitution: Incorporated company limited by guarantee and not having a share capital. Company registered in England and Wales.

Recruitment and appointment of Trustees: The Articles of Association of Keystone Accountability provide that there shall be at least 3 Trustees. Trustees are recruited by the Chief Executive and the existing Trustees through their personal and professional networks. New Trustees are appointed by resolution of the Trustees. The Trustees' board is renewed annually by a third.

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TRUSTEES' REPORT (Continued)

Induction and training of Trustees: The Chief Executive provides an induction on Keystone's objectives and work to new Trustees. He provides them with a detailed presentation of the Accountability for Social Impact method and tools as well as of the underlying principles and philosophy. He also briefs them on their legal obligations under charity and company law. A Trustees' induction pack has been compiled and is provided to all newly appointed Trustees.

As the method, tools and types of services offered by Keystone evolve, the Trustees are provided with detailed presentations of new developments during board meetings and on an ongoing basis through e-mail and telephone conversations.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of Keystone Accountability for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP issued by the UK Charity Commission;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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TRUSTEES' REPORT (Continued)

Related parties:

- Keystone Accountability US: A non-profit 501(c)(3) organisation has been incorporated in 2007 and has worked to fulfill its mission by, among other things, supporting Keystone Accountability (UK) projects.
- Keystone Accountability South Africa: Registered as a Company incorporated under Section 21 of the South African Companies Act (Company not having share capital), with similar purposes to Keystone (UK).

Risk review statement: The Trustees have examined the major risks faced by Keystone and have identified the absence of a sufficient funding to carry the organization should there be a slowdown in earned income to be the most pressing one. A strategic plan is in place and entrusted to the Chief Executive to build up a reserve fund of £90,000, which would meet Keystone's core operating costs for approximately three months.

The staff handbook addresses risks related to staff safety and well-being.

III. Objectives and Activities

Objectives of the Charity (as set out in the Memorandum and Articles of Association):

- To advance the efficiency and effectiveness of charities and to improve the effective use of resources for charitable purposes
- To promote the voluntary sector (being charities and organisations established anywhere in the world for exclusively charitable purposes as determined in accordance with the law of England and Wales) and voluntary organisations (being non political organisations, independent of local or national governments or other statutory authorities, established for purposes that add value to whole or a significant section of the community and which are not permitted by their constitutions to make a profit for private distribution) for the benefit of the public
- To advance education
- To relieve poverty
- To advance any other exclusively charitable purposes recognised as such by the laws of England and Wales for the benefit of the public.

Charity's aims and strategies:

Keystone's strategic aim is to improve the effectiveness of social purpose organizations. We work with these organisations to develop better ways of planning, measuring, realizing and reporting their impacts.

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TRUSTEES' REPORT (Continued)

Specifically we help them improve by:

- considering other actors' behaviours and incentives when planning their work;
- listening to different constituents' views of their plans, actions and reports; and
- using this data to strengthen relationships, improve work during implementation, and feed into impact evaluation.

We have created an original methodology now being patented that we call 'constituency voice' – a way to listen and respond to the people most involved in social change. We publish resources including our tools and reports. We make all our intellectual property available for free using a Creative Commons license. We also conduct research on issues related to planning, measuring and reporting social change for the purpose of improving our own work and influencing the sector of social development.

Statement on Public Benefit

The 'objectives and activities' and 'achievement and performance' sections of this report set out activities that Keystone Accountability undertakes for public benefit.

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Commission in determining the activities undertaken by the charity.

In the interest of transparency, the Trustees make the following observations on the two key principles of public benefit.

Principle 1: There must be an identifiable benefit or benefits

- 1a It must be clear what the benefits are
The benefits are clearly set out in the accounts of Achievement and Performance given in the body of this report.
- 1b The benefits must be related to the aims
The Trustees review the activities of the charity against its aims on an ongoing basis and are satisfied that all activities continue to be related to the aims.
- 1c Benefits must be balanced against any detriment or harm
No specific issues of detriment or harm have been identified

Principle 2: Benefit must be to the public or a section of the public

- 2a The beneficiaries must be appropriate to the aims

KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT (Continued)

The organisations that Keystone Accountability works for all work for the public benefits and are mostly registered charities. For instance, they include the Rockefeller Foundation and its charitable grantees, grantmakers in Southern Africa and international humanitarian agencies like Oxfam and Save the Children.

2b Where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions; or by the ability to pay any fees charged

There are no restrictions on benefits

2c People in poverty must not be excluded from the opportunity to benefit
Privileging the voices of people in poverty is central to what Keystone Accountability does in assisting charitable organisations to achieve their aims more effectively. In fact, Keystone's constituency voice method provides a way for any charity to establish the evidence base for meeting this duty.

2d Any private benefits must be incidental

A number of private benefits do necessarily arise from the activities of the charity. In particular, the charity finds it essential to employ and remunerate staff. These private benefits are a necessary step in achieving the charity's aims.

Activities

- **Consultancy and training**
 - **Evaluative systems**

We also provided short-term consulting to organizations wishing to deepen their ability to plan for, assess, learn from, and report their impacts. During the year we have completed several projects advising on organisational planning, monitoring and evaluation processes. As part of the Oxfam America work in Ethiopia, we advised on the development of a farmer voice feedback system as part of their monitoring and evaluation framework. This project has recently been extended.

In line with Keystone's strategy to increase the incentives and rewards for practicing constituency voice, Keystone formed a partnership with Charity Navigator to upgrade its rating methodology to include a results dimension. Keystone is the principal consultant to Charity Navigator in this upgrade, which requires charities to publish empirically valid feedback from their primary constituents (who are often and incorrectly referred to as beneficiaries).

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TRUSTEES' REPORT (Continued)

- **Constituency voice systems and tools**

The Oxfam America work in Ethiopia includes the development, testing and scaling of a “farmer voice” measurement tool. We are working with the International Finance Corporation to create tools and systems that will allow IFC to help the social businesses that it invests in to understand their impact on small-scale producers. That project began with a survey of 500 Nicaraguan smallholder coffee farmers. A similar tool is being developed on behalf of the Global Environment Fund in Tanzania and continuing to work with Charity Navigator to design its new charity rating system.

- **Benchmarking surveys**

Keystone is a global pioneer in the development and delivery of benchmark surveys. To date, it has three benchmark surveys.

Keystone-iScale Performance Survey: Networks

Together with a leading network theorist, iScale, Keystone ran the first international survey of the members of international social change networks in 2009. We have recruited another cohort of organisations to take this comparative benchmarked survey, which we anticipate to finish in early 2012. Organisations taking this survey include Transparency International, Association for Progressive Communications and Gender at Work.

Keystone Performance Survey: Development Partnership

We first ran this benchmark survey for a cohort of 28 international humanitarian organisations in 2010. It explores these organizations’ partnerships with over 1,000 local NGOs. Since then we have conducted the survey on an “as they come” basis for organisations including OXFAM Canada and VSO. All organisations who have done the survey found it useful in recognizing their strengths and limitations, and it provided them impartial and confidential data they are using to improve the work they do. Several of the participating agencies have published their confidential reports.

Keystone Performance Survey: Social Investment

Another first, this time for the field of social investment, this benchmark survey collected feedback from more than 200 social enterprises around the world receiving investments from 7 social investors. The 7 social investors have reviewed their feedback results and are making improvements in their work. One social investor, Venturesome, has published its confidential report from the survey.

- **Research, publications and speaking events:**

Selected reports and articles published by Keystone:

- Bonbright, D., (2011) ‘Keystone prospectus 2011-2013’, Keystone Accountability.

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TRUSTEES' REPORT (Continued)

- Lefkovitz, P., Pinsineault, L., Bonbright, D. and Nguyen, L. (2011), 'Measuring the Impact of Civic Engagement', Alliance for Children and Families, United Neighborhood Centers of America and Keystone Accountability.
- Bonbright, D., and Power, J. (2010), 'Private Sector Metrics Contributions to Social Change: Customer Satisfaction Meets Agriculture Development', Institute of Development Studies.
- Bonbright, D., et al (2011) 'Impact Evaluation for Development'; Principles for Action, The Impact Evaluation for Development Group.
- Bonbright, D. and van Praag, N. (2011) 'How to Improve Accountability and Performance in Humanitarian Operations', The Hauser Center at Harvard University blog.

Selected articles Keystone contributed to:

- Campbell, D 'Consultant Feedback in Nonprofit Human Services Organisations'. This was academic version of the White Paper David Bonbright had co-authored for the ACF

Selection of speaking events:

- World Bank's 'Open Data, Open Knowledge, Open Solutions: Possibilities and Pitfalls' event, 2011
- IFC's Inclusive Business Leaders Forum, 2011
- 10th Annual Engineers Without Borders Canada Conference, 2010
- Berlin Civil Society Centre - Measuring Impact Forum, 2011
- Charity Navigator Nonprofit Performance Management Conference, 2011
- Impact Investing Forum, 2010

IV. Achievements and performance

Client work carried out

We have split our work into three broad categories. Both Evaluative and Constituency Voice systems projects can range from the design stage to full implementation. Benchmark surveys include our Network, Development Partnership and Social Investment performance surveys.

Project type	Number of projects 2011 target	Number of projects 2011 actual
Evaluative systems	3	5
Constituency voice systems	3	3
Benchmark surveys	70	41

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TRUSTEES' REPORT (Continued)

What do those we work with say about us?

Keystone administers two surveys to clients following its work with them. The first survey is administered shortly after the delivery of the main output in the work. Keystone had 28 responses from FY2011 clients to the first survey, which we dub the client satisfaction survey. The second survey explores what difference our work with the client made for them. We call this second survey the impact survey

- **The client satisfaction survey**

<u>Indicator</u>	2010 results	2011 targets	2011 results
	1 – 10 scale unless stated otherwise		
How would you grade the standard of Keystone's work?	8.1	9	8.4
How likely is it that you will take actions as a result of Keystone's work?	8.9	10	9.5
How well do you feel Keystone understood your organisation?	7.8	9	7.3
Compared to other monitoring and evaluation services, how useful was Keystone's work?	7.4	8	8.1
If the work Keystone conducted for you involved a survey, have you or do you plan to report the survey findings back to survey respondents?	63% said yes, 37% do not yet know	100% say yes	70% said yes, 30% do not yet know

Survey comments

On Keystone's work:

"It has inspired a revolution in our monitoring and evaluation work!"

"Wonderful experience - the survey is the right idea at the right time, with practical benefit in the short-term, and longer-term implications as noted above. Bravo!"

"The confidential survey enabled us to validate with robust data what we had only been able to get glimpses of previously through anecdotal information. The sector benchmarking really helped us to affirm our strengths and highlight areas for further improvement. The partner feedback report provided actionable data and recommendations on how we can improve our partnership practice."

"The survey was very useful for strategic planning purposes as well as defining some key activities over the course of the year."

KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT (Continued)

Areas highlighted to improve:

“Ensure more continuity in the pre survey communication and negotiations.”

“I think Keystone struggled to understand US NGOs overall, and faith-based organizations in particular.”

“Need greater quality control role with regard to the report production process.”

The Impact Survey

Keystone had 12 responses from FY2011 clients to the impact survey.

Indicator	2011 results	2012 targets
	1 – 10 scale unless stated otherwise	
How useful has Keystone's work been for you since the contract ended?	6.8	9
How much of a beneficial impact has the work done by Keystone had since the contract ended?	6.9	9
How much has Keystone's work increased your appreciation of the value of formal feedback from constituents in your organisation's decision making?	6.7	10
How much has Keystone's work increased your appreciation of the value of reporting back to constituents?	6.2	9
Did you share Keystone's work with your Board or Trustees?	92% said yes, 8% said no	100% yes

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TRUSTEES' REPORT (Continued)

Other indicators

Indicator	Performance score			
Quality of tools	<p>Keystone's Theory of Change guide recommended by InProgress (non-profit organisation training consultants) in their eNewsletter.</p> <p>ToC tool also recommended by Smita Premchander, Development Consultant</p> <p>Marc Maxson of Global Giving used Keystone's Feedback App in their reporting workshops to show commitment to improving and honesty.</p>			
Quality of analysis	<p>In addition to several publications and bespoke workshops, Keystone's work has been referenced in a variety of high profile papers and blogs, for example:</p> <ul style="list-style-type: none"> • The Hague Finance Initiative, published by Total Impact Advisors • BOND newsletter • Lucy Bernholz, Founder of Blueprint Research & Design, blog • Sean Stannard Stockton, Tactical Philanthropy blog • Jennifer Corriero, co-founder and ED at TakingITGlobal, blog • Hauser Center for Nonprofit Organisations at Harvard University, Humanitarian & Development NGO blog • Kate Robinson, Saving Philanthropy, documentary 			
Influence on the field	Of the first 20 results on search engines with the following terms:	Number related directly to Keystone 2011	Number related directly to Keystone 2010	Number related directly to Keystone 2009
	"Constituency Voice"			
	- Google	20	17	17
	- Bing	19	18	17
	- Yahoo	19	17	18
	"Impact Planning, Assessment and Learning"			
	- Google	15	19	17
	- Bing	11	18	18
	- Yahoo	12	17	18

KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT (Continued)

	<p>By examining which search results for “constituency voice” and “Impact Planning, Assessment and Learning” are directly related to Keystone’s work, and which are coming from other organisations, we get an understanding as to the wider dissemination and use of these terms beyond Keystone. We can see that while IPAL is gaining traction as a term in the wider sector, Constituency Voice is to Keystone. We expect with our continuing work with Charity Navigator in particular for this to change in the coming months and years.</p> <p>A further look at our influence on the field can be seen by looking at Keystone’s involvement in various publications and speaking events – see above.</p>			
Website traffic	<p>Website traffic is calculated by calendar year, not financial year. There was a reduction in visiting the Keystone website from 44,069 visitors in 2009 to 37,876 in 2010, however overall page visits increased.</p>			
	Downloaded item	2010 downloads	2009 downloads	2008 downloads
	IPAL Guide	357	1010	-
	Online Philanthropy Markets	187	723	2292
	Developing a theory of change	646	732	781
	Learning with constituents	239	407	351
	TOC template	370	235	-
	Keystone Performance survey brochure	203	-	-
	The changing face of NGO Accountability	98	191	597
	Constituency Voice framework	187	80	-
	Keystone’s ethical framework	231	76	-

KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT (Continued)

V. Financial Review

The total income for 2010/11 was £452,333 and the total expenditure was £469,592. The balance of funds required to meet expenditure through March 2011 was met by restricted funds carried forward from the previous year.

Policy on reserves: At the year-end, Keystone held a total of £60,398 in unrestricted income. The Board has a policy on reserves set out below that is included in the Charity's financial controls. Total reserves are below the desired amount, although up from last year.

Keystone's reserves policy is to build up reserves as rapidly as possible:

- To assure the continuation of Keystone's activities during 3 months in case of shortage of periods of low income.
- To provide assurance to members of staff and to those with whom we undertake commitments of Keystone's reliability as an employer and business partner respectively.
- As a precaution against adverse economic conditions and any consequent decline in the charity's income to permit the development of ambitious programmes.
- The level of unrestricted reserves needed for these purposes is set at £90,000 (approximately 3 months of ordinary operating costs).
- The level of the reserves will be reviewed by the Board once a year as part of the budget review and approval process.

VI. Plans for the year through 31 March 2012

The following offers a tabular summary of Keystone's operational plans over the next year:

Service Delivery Aims

Item	Target
Evaluative systems	5
Constituency Voice systems	10
Benchmark surveys	25

KEYSTONE ACCOUNTABILITY

TRUSTEES' REPORT (Continued)

Quality Aims

Indicator	Score / 10 (unless stated)
How would you grade the standard of Keystone's work?	9
How likely is it that you will take actions as a result of Keystone's work	10
How well do you feel Keystone understood your organisation?	9
Compared to other monitoring and evaluation services, how useful was Keystone's work?	10
If the work Keystone conducted for you involved a survey, have you or do you plan to report the survey findings back to survey respondents?	100 % say yes

This report was approved by the Board of Trustees on _____ and signed on its behalf, by:

Eric Kolodner - Trustee

Date

INDEPENDENT EXAMINER'S REPORT

I report on the financial statements of the company for the year ended 31 March 2011 which comprise the Statement of Financial Activities and Balance Sheet, with the related notes.

This report is made solely to the company's Trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. My work has been undertaken so that I might state to the company's Trustees those matters I am required to state to them in an Independent examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's Trustees as a body, for my work or for this report.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND EXAMINER

The Trustees, who are also the directors of the company for the purposes of company law, are responsible for the preparation of the financial statements. The Trustees consider that an audit is not required for this year under section 43(2) of the Charities Act 1993 (the Act) and that an independent examination is needed.

Having satisfied myself that the company is not subject to audit under charity or company law and is eligible for independent examination, it is my responsibility to:

- examine the financial statements under section 43 of the Act;
- follow the procedures laid down in the general Directions given by the Charity Commission under section 43(7)(b) of the Act; and
- state whether particular matters have come to my attention.

BASIS OF INDEPENDENT EXAMINER'S REPORT

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the company and a comparison of the financial statements presented with those records. It also includes consideration of any unusual items or disclosures in the financial statements, and seeking explanations from you as Trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the financial statements present a 'true and fair view' and the report is limited to those matters set out in the statement below.

INDEPENDENT EXAMINER'S STATEMENT

In connection with my examination, no matter has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements:
 - to keep accounting records in accordance with section 386 of the Companies Act 2006; and

**INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF KEYSTONE
ACCOUNTABILITY (continued)**

- to prepare financial statements which accord with the accounting records and comply with the accounting requirements of section 396 of the Companies Act 2006 and with the methods and principles of the Statement of Recommended Practice: Accounting and Reporting by Charities

have not been met; or

- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the financial statements to be reached.

Murtaza Jessa FCA
haysmacintyre
Chartered Accountants
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date:

KEYSTONE ACCOUNTABILITY

STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 MARCH 2011

		Unrestricted Funds 2011	Restricted Funds 2011	Total Funds 2011	Total Funds 2010
	<i>Note</i>	£	£	£	£
Incoming Resources					
Income resources from generated funds:					
Voluntary income - grants	2	69,698	-	69,698	80,127
- donations		170	-	170	3,021
Incoming resources from charitable activities					
Maximising the impact of social purpose organisations					
-Grants	2	-	160,135	160,135	107,578
-Consultancy service fees		126,899	-	126,899	63,814
-Survey fees		95,431	-	95,431	81,459
Total Incoming Resources		<u>292,198</u>	<u>160,135</u>	<u>452,333</u>	<u>335,999</u>
Resources Expended					
Cost of generating funds		13,771	-	13,771	12,896
Charitable activities:					
Maximising the impact of Social purpose organisations					
		220,821	225,117	445,938	553,406
Governance costs		9,883	-	9,883	10,030
Total Resources Expended	3	<u>244,475</u>	<u>225,117</u>	<u>469,592</u>	<u>576,332</u>
Net Incoming/(Outgoing) Resources		47,723	(64,982)	(17,259)	(240,333)
Fund Balances at 1 April 2010		12,675	62,356	75,031	315,364
Fund Balances at 31 March 2011	9	<u>60,398</u>	<u>(2,626)</u>	<u>57,772</u>	<u>75,031</u>
		=====	=====	=====	=====

The notes on pages 20 to 25 form part of these accounts.

KEYSTONE ACCOUNTABILITY

BALANCE SHEET (company number 6000240)

AS AT 31 MARCH 2011

	Note	2011		2010	
		£	£	£	£
Fixed Assets					
Tangible assets	5		3,273		7,778
Current Assets					
Debtors	7	63,302		68,768	
Cash at bank and in hand		18,191		19,181	
		<u>81,493</u>		<u>87,949</u>	
Creditors: falling due within one year	8	<u>(26,994)</u>		<u>(20,696)</u>	
Net Current Assets			54,499		67,253
Net Assets			<u>£57,772</u>		<u>75,031</u>
Represented by:					
Unrestricted funds	9		60,398		12,675
Restricted funds	9		(2,626)		62,356
			<u>£57,772</u>		<u>£75,031</u>

The Trustees consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act. However, an audit is required in accordance with section 43 of the Charities Act 1993. The Trustees acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 March 2011 and of its surplus for the year then ended in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Act relating to the financial statements so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board of Trustees and authorised for issue on _____ and signed on their behalf by:

Eric Kolodner - Trustee

Date

KEYSTONE ACCOUNTABILITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1 Accounting Policies

a) **Basis of Preparation of financial statements**

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, applicable accounting standards and the Companies Act 2006.

Having carefully considering the matters referred to above, the trustees believe that it is appropriate to prepare the financial statements on a going concern basis.

b) **Company status**

The Charity is a company limited by guarantee. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the Charity.

c) **Incoming Resources**

Grants donations and membership fees are recognised in full in the Statement of Financial Activities in the year in which they are receivable. This amount cover donations received from the general public, grants from member organisations and similar bodies and annual membership fees from the member organisations.

d) **Resources Expended**

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which can not be recovered.

Expenditure is classified under the charity's principle categories of activity. Staff costs and overhead expenses are allocated to activities on the basis of staff time spent on these activities.

e) **Costs of generating funds**

This consists of fundraising costs incurred in seeking voluntary contributions.

f) **Governance costs**

Governance costs are those costs incurred in connection with compliance with constitutional and statutory requirements.

h) **Tangible fixed assets**

Individual fixed assets costing £100 or more are capitalised at cost.

KEYSTONE ACCOUNTABILITY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

Accounting Policies (continued)

Tangible fixed assets are depreciated on a straight line basis over the estimated useful lines as follows:

Fixtures, fittings and equipment - 3 years

i) **Accumulated Funds**

Unrestricted funds are donations and other incoming resources receivable or generated for the objectives of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure that meet these criteria is identified to the fund, together with fair allocation of overheads and support costs.

2. **Grants**

	Unrestricted £	Restricted £	Total 2011 £	Total 2010 £
The grants received were as follows:				
USAID DGP	-	49,017	49,017	-
Keystone Accountability USA	21,295	-	21,295	80,127
Other	48,403	-	48,403	3,021
Ford Foundation	-	-	-	20,679
IDS (Keystone sub-grantee on				
Gates Foundation grant)	-	80,508	80,508	86,899
Rockefeller Foundation	-	30,610	30,610	-
	<u>69,698</u>	<u>160,135</u>	<u>229,833</u>	<u>190,726</u>

3. **Total Resources Expended**

	Cost of generating funds £	Grants for maximising developmental impact of Social purpose organisations £	Governance costs £	Total 2011 £	Total 2010 £
Staff costs	13,771	311,120	4,304	329,195	363,610
Other costs	-	134,818	-	134,818	206,722
Audit fees	-	-	-	-	6,000
Accountancy fees	-	-	5,579	5,579	-
Total	<u>13,771</u>	<u>445,938</u>	<u>9,883</u>	<u>469,592</u>	<u>576,332</u>

KEYSTONE ACCOUNTABILITY

Notes to the Accounts

FOR THE YEAR ENDED 31 MARCH 2011

Resources Expended (continued)

	Total 2011 £	Total 2010 £
This is stated after charging:		
Depreciation of tangible fixed assets	4,009	3,428
Auditors remuneration	-	6,000
Independent Examiner's Fee	3,750	-
	<u>3,750</u>	<u>-</u>

5 Furniture Fittings & Equipment

	2011 £
Cost:	
As at 1 April 2010	12,380
Disposals	(3,072)
As at 31 March 2011	<u>9,308</u>
Depreciation:	
As at 1 April 2010	4,602
Charge for year	4,009
Disposals	(2,576)
As at 31 March 2011	<u>6,035</u>
Net book value:	
As at 31 March 2011	<u>3,273</u>
As at 1 April 2010	<u>7,778</u>

6 Employees

	2011 No.	2010 No.
Average monthly number of employees during the year -		
Developmental impact	3	5
Administration	1	1
	<u>4</u>	<u>6</u>
	<u>4</u>	<u>6</u>
Employee Costs	£	£
Salaries	295,242	325,947
Social Security Costs	33,953	37,663
	<u>329,195</u>	<u>363,610</u>

KEYSTONE ACCOUNTABILITY

Notes to the Accounts

FOR THE YEAR ENDED 31 MARCH 2011

Employee costs (continued)

The number of higher paid employees was:

In the band £140,001 to £150,000	-	1
in the band £170,001 to £180,000	1	-
	<u>1</u>	<u>1</u>

None of the trustees received any remuneration or benefits in kind during the year.

No trustees received reimbursement of expenses during the year.

KEYSTONE ACCOUNTABILITY

Notes to the Accounts

FOR THE YEAR ENDED 31 MARCH 2011

7 Debtors		2011	2010	
		£	£	
Trade debtors		14,654	-	
Prepayments		-	-	
Accrued income		-	1,660	
Loan, salary and expenses advances		48,648	66,656	
Other debtors		-	452	
		<u>63,302</u>	<u>68,768</u>	
		<u><u>63,302</u></u>	<u><u>68,768</u></u>	
8 Creditors		2011	2010	
		£	£	
Trade creditors		1,121	6,607	
Accruals		24,002	14,089	
Other creditors		1,871	-	
		<u>26,994</u>	<u>20,696</u>	
		<u><u>26,994</u></u>	<u><u>20,696</u></u>	
9. Movement in funds	At 1 April	Incoming	Outgoing	At 31 March
	2010	Resources	Resources	2011
	£	£	£	£
Restricted funds				
USAID DGP	-	49,017	(51,643)	(2,626)
Rockefeller	-	30,610	(30,610)	-
IDS (sub-grantee of Gates Foundation Grant)**	62,356	80,508	(142,864)	-
	<u>62,356</u>	<u>160,135</u>	<u>(225,117)</u>	<u>(2,626)</u>
Unrestricted funds	12,675	292,198	(244,475)	60,398
	<u>75,031</u>	<u>452,333</u>	<u>(469,592)</u>	<u>57,772</u>
Total funds	<u><u>75,031</u></u>	<u><u>452,333</u></u>	<u><u>(469,592)</u></u>	<u><u>57,772</u></u>

Explanations for restricted funds

USAID DGP –The fund has a negative balance at the year end as the trustees are confident that monies will be received in 2011/12 to meet the shortfall on the fund.

KEYSTONE ACCOUNTABILITY

Notes to the Accounts

FOR THE YEAR ENDED 31 MARCH 2011

10. Analysis of Net Assets Between Funds	Restricted Funds 2011 £	Unrestricted Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
Tangible fixed assets	-	3,273	3,273	7,778
Current assets	-	81,493	81,493	87,949
Creditors due within one year	(2,626)	(24,368)	(26,994)	(20,696)
	<u>(2,626)</u>	<u>60,398</u>	<u>57,772</u>	<u>75,031</u>

11. Operating Leases

There are no commitments under operating leases

12. Related Party Transactions

Keystone Accountability Service Community Interest Company: Keystone Accountability has set up a subsidiary company in the UK under the form of a Community Interest Company (CIC) No: 6223739. The CIC was constituted with the purpose of managing Keystone's fee-based service provision to commercial groups. For the moment, due to the relatively limited activity in this area, the CIC remains dormant and therefore consolidated accounts have not been prepared.

Keystone Accountability US: A non-profit 501(c)(3) organisation incorporated in 2007 to promote aims similar to those of Keystone Accountability UK. It provided unrestricted grant funding £21,295 to Keystone Accountability UK in FY2010/10. The largest source of Keystone Accountability USA support for Keystone Accountability UK was from the US foundation, Metanoia Fund (£60,273).

Keystone Accountability South Africa: A Company incorporated under Section 21 of the South African Companies Act (Company not having share capital) manages Keystone's activities in South Africa and other African countries.

There were no transactions with these entities apart from the grants from Keystone Accountability USA.