



The Irish Financial Reporting Conference 2019

Charities & Financial Reporting

Presenter:

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Accounting Issues for Charities under SORP & FRS 102

Accounting Issues for Charities – Financial statements

- SORP FRS 102 changes – CA 2017
 - Is this required:
 - When is it mandatory from and for who??
- FRS 102 Section 1A for charities
 - NB remember other grant provider disclosure requirements (Pobal/HSE Circular 13/2014 or AFMR)
 - Is it permitted?
 - Changes from Triennial review – March 2018 version S1A

Accounting Issues for Charities

- Abridged Financials for small charities
 - Are they permitted to use this get out under grant providers agreement?
- Accounting for legacies (P.214-216 of notes)
- Accounting for donations – Goods & services (P.216-219 of notes)
- Accounting for grants (P.220-231 of notes)
 - FRS 102 vs
 - FRS 102 SORP

Accounting Issues for Charities

- Fund accounting – SORP specific (P247-248 of notes)
 - Restricted funds
 - Unrestricted = designated or general funds
 - Endowment funds
- Accounting for financial instruments
 - General
 - Public benefit concessionary loan get out/programme related loans (P.237-240 of notes)

Accounting Issues for Charities

- Impairment requirements - service potential (P.255 of notes)
- Accounting for mergers (P. 256-258 of notes)
- Accounting for revaluations on PPE/heritage assets (P.249-252 of notes)
- Accounting for investment property (P.234-235 of notes)
- Accounting for listed shares/complex financial instruments (P.244-246 of notes)
- Other examples in pack

Accounting Issues for Charities

- Differences on transition from FRS 102 to SORP FRS 102:
 - Grants – performance model mandated by SORP
 - Adjustment if accruals model utilised under FRS 102
 - Investment property – must be at fair value
 - No undue cost or effort get out as include in FRS 102
 - Investment property – property not complete cannot be classed as IP under SORP

Accounting Issues for Charities

- Differences on transition from FRS 102 to SORP FRS 102:
 - Investments in associates/JV's/subs cannot be carried at FV through OCI must go to SOFA
 - PPE revaluation policy
 - Revaluation only required on a rolling basis over 5 years
 - FRS 102 non SORP – to reflect fair value at each reporting date

Common errors noted in financial statements

- Accounting policy for concessionary loans or not considering such loans from an FRS 102 perspective
- Not disclosing the fact that it is a public benefit entity
- Stating accounts are prepared in accordance with SORP but not prepared
- Not applying the 'assets held for service potential' and instead booking an impairment based on value in use

Common errors noted in financial statements

- Not amortising premium/discounts on bonds over life of the bond
- Not disclosing unrecognised volunteers services PBE34B.12 & PBE 34.74(c)
- Not identifying certain bonds as complex instruments (e.g. with profit bonds)
- Not recognising the value of donated services and goods as income and an expense.
- Incorrectly using accruals concept for grants when saying SORP is being applied

Conclusion

- Very little transition adjustments on adoption of SORP
 - Principles follow FRS 102
- SORP- Substantial work to identify restricted funds at start of comparative period
 - Get split right
- S1A welcome – however additional disclosures required as condition of grant funding likely;

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Section 2: Accounting Issues for Charities under SORP & FRS 102

Introduction

What's covered in this section?

- The principal adjustments where a change in accounting policy is required on adoption of FRS 102 Charities SORP from FRS 102
- Certain accounting requirements for charities applying either Full FRS 102 or Charities SORP
- General accounting examples under FRS 102 and Charities SORP
- Provision of a detailed guide on the differences between FRS 102 and FRS 102 charities SORP: and Old Irish GAAP/FRSSE and FRS 102 charities SORP
- Note from an accounting perspective – much of SORP is a replica of FRS 102 (Section 34 etc.). In general, not many accounting adjustments on transition

Note throughout this section we refer to FRS 102 and FRS 102 Charities SORP. Where something cannot be applied under the Charities SORP we have identified this.

Income recognition (S.5 of SORP)

Income/expenditure recognition the same under SORP as was required under Section 34 of FRS 102 with the 4 exceptions as detailed in part 5 of this section.

General rule – income recognised when charity has:

- Entitlement
 - It is probable future economic activities will flow
 - It can be reliably estimated
- 1) Specific rule - Cash Donations
- Recognised on a receivable basis assuming general conditions are met
- 2) Specific rule - Legacies – recognise when:
- There is grant of probate; and
 - The executors have established that there is sufficient assets in the estate, after settling liabilities; and
 - Any conditions attached to the legacy are either within the control of the charity or have been met
-

Example 1: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

Charity A has been informed by a solicitor that it has been identified as a beneficiary of a persons will. The solicitor has stated that as of yet the amount of the legacy is not certain as it has not gone through probate, expenses have still to be paid and the interest is in the residue of the estate. The solicitor has stated a figure of CU100k - CU150k however this is only indicative.

Can the charity recognise any income in the current year?

The rules for recognition of legacies are (PBE34B.5 to 7 of FRS 102):

- There is grant of probate; and
- The executors have established that there is sufficient assets in the estate, after settling liabilities; and

- Any conditions attached to the legacy are either within the control of the charity or have been met

On this basis, the charity cannot recognise income in the current year as although there is entitlement to the funds and although it is probable economic benefits will flow, the amount of the legacy cannot be measured reliably hence it should not be recognised at that time. In addition there is no grant of probate.

However a contingent asset would need to be included in the notes detailing the legacy

Example 2: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

If we take example 1 and this time assume that the executor has determined that a payment will be made to the charity following the agreement of the estate's accounts and that a reliable estimate of CU100k can be given.

Can the charity recognise any income in the current year?

Yes as long as the likelihood of receipt is probable (as reliable estimate and entitlement has been established) the legacy would be recognised as income in the SOFA/I&E/P&L in the current year. The journals would be as follows assuming it will be receivable within 12 months of year end:

	CU	CU
Dr legacy debtor	100,000	
Cr donations and legacy income in SOFA/income/turnover in I&E		100,000

If we assume that the executor believes it will not be received until 24 months after the recognition of income, there would be a requirement to present value the CU100,000 at a discount rate equal to the rate the charity could get on a deposit account for a similar length. Assume the PV is CU85,000 and CU9,000 and CU6,000 of this unwinds in the first and second year after recognition. The journals would be to:

	CU	CU
Dr legacy debtor	85,000	
Cr donations and legacy income in SOFA		85,000
Being journal to recognise income at present value.		

Then the below journal should be posted to reflect the unwinding of the discount:

	CU	CU
Dr legacy debtor	9,000	
Cr donations and legacy income in SOFA OR interest income in P&L/I&E		9,000

Example 3: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

If we take example 2 and 6 months later it transpires that only CU60,000 will be received.

What are the journals required (ignoring present valuing):

The journals required are to:

	CU	CU
Dr donations and legacy income in SOFA/ Income or turnover in I&E/P&L	40,000	
Cr legacy debtor		40,000

Example 4: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

Charity A has been notified by an executor that a payment will be made.

Can this be recognised in income?

Yes this should be recognised at that time.

Example 5: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

If we take example 4 and assume the notification was received post year end but before the accounts are authorised for issue. In this case can the charity recognise this legacy in income for the current year even though notification was not received until after year end?

Answer: It depends – If it is clear that the payment had been agreed by the executor prior to the end of the reporting period, it should be recognised as income and included as a receivable.

Example 6: Legacies (Section 34 of FRS 102 & Section 5 of SORP)

Charity A has been informed by an executor that it is entitled to a house on the death of a life tenant. Can the charity recognise the market value of the house at that time?

Answer: No. It can only recognise it in income once the life tenant dies. However it should be disclosed as a contingent asset.

3) Donated goods and services (Section 34 of FRS 102 & S.6 of SORP)

Donated goods and services – recognise when:

- Entitlement
- It is probable future economic activities will flow
- It can be reliably estimated

Income should be recognised on the above basis unless it is impractical to value the goods/services given the low value or the costs outweigh the benefits to the readers in which case it should be measured when sold

If recognised initially on receipt, then recognise credit in income and a corresponding debit in expenses/stock/fixed assets as applicable

If fair value cannot be determined easily then determine the value by:

- Assessing cost to the donor; or
- The expected resale value after deducting costs to sell

If fair value recognised in stock initially, then on the future same:

- Post the debit for the recognition of stock to income & set against sale amount

If fair value donated services – recognise at the fair value to charity (what would charity have to pay if they got someone else)

Donated time of volunteers is not required to be recognised

- In assessing whether a person is volunteer or a person providing services & hence income to be recognised determine if:
 - The person perform a business of the service that they provide to the charity; or

- The person is only ancillary to other charity staff
-

Example 7: Donated goods or services – fixed assets

Charity A received a gift in the form of a property which will be used for the purposes of its trade.

In this case under Section 6.6 of SORP or Section PBE34.67 to 34.70 & PBE34.1 of FRS 102 income should be recognised when the charity:

- Has entitlement; and
- Can reliably measure the asset/gift; and
- It is probable economic benefits will flow to the charity.

It should initially be measured at fair value unless it is impractical to measure. Assume the fair value of this asset was CU500,000

The journals required once the recognition criteria are met are as detailed below:

	CU	CU
Dr Tangible fixed assets	500,000	
Cr donations and legacies in the SOFA OR Turnover/income in I&E or P&L		500,000

From then on, the asset is depreciated over its useful economic life as would be the case for any other fixed asset. Note if a restriction was imposed as part of the gift that it cannot be disposed the fair value should be adjusted downwards to reflect this restriction.

If this was a property which had sitting tenants and the charity decided to continue to lease it out then this would be classified as an investment property and included within investments in the financial statements for SORP accounts or within tangible fixed assets under FRS 102 and would have to be carried at fair value. There would be no depreciation instead the movement would be recognised in the line 'gain/loss on investments' in the SOFA for SORP Accounts or in the P&L/I&E possibly within other operating income if just FRS 102 accounts are prepared.

Example 8: Donated goods or services – donated goods held for resale – impractical to measure

Charity A operates a charity shop as one of the activities of the charity and receives donated goods which it then sells on.

In this case under Section 6.6 of SORP or Section PBE34.67 to 70 & PBE34.1 to 2 of FRS 102, income should be recognised when the charity:

- Has entitlement; and
- Can reliably measure the asset/gift; and
- It is probable economic benefits will flow to the charity.

It should initially be measured at fair value unless it is impractical to measure or would result in undue cost given the value of the donated goods. If this is the case the donated goods should be recognised when sold. If fair value cannot be determined then the value placed on it should be obtained by:

- Assessing the cost of the item to the donor
- Or goods which are expected to be sold, the estimate resale value after deducting costs to sell

If we assume that it is impractical to measure given the low value of the goods, then on initial receipt, income should not be recognised instead under S6.10 of SORP or S,PBE34.70 of FRS 102, the income is recognised when sold. Assume for this example this item was sold for CU50. The journals required on sale would be to:

	CU	CU
Dr Bank	50	
Cr income from other trading activities in the SOFA* / Turnover/income in P&L/I&E		50

* Note if the shop is the primary purpose of the charity then the Credit would go to 'income from charitable activities'.

Note if we assume that these were goods which were used by the Charity itself as opposed to being sold on, the following journals would be required:

	CU	CU
Dr expenditure on charitable activities in the SOFA OR Administrative expenses in P&L/I&E	50	
Cr income from other trading activities in the SOFA* OR Turnover/income in P&L/I&E		50

* Note if the shop is the primary purpose of the charity then the Credit would go to 'income from charitable activities'.

Example 9: Donated goods or services – donated goods held for resale – practical to measure

If we take example 8 and this time assume that the goods can be measured. Assume the fair value of the donated good was CU1,000 and the cost of onward sale is CU50.

Given that it can be measured assuming the recognition rules (e.g. on receipt) have been met the journal would be to:

	CU	CU
Dr stock on the balance sheet	950	
Cr income - donations in the SOFA OR Turnover/income in P&L/I&E		950

Note as this is recognised in stock it should be reviewed for impairment and impairment booked if required (required by Section 10 & Section 12 of SORP OR S.27 of FRS 102).

For FRS 102 SORP

	CU	CU
Dr income from other trading activities in the SOFA* OR Turnover/income in P&L/I&E	950	
Dr bank/debtors	1,000	
Cr stock on balance sheet		950
Cr income from other trading activities in the SOFA OR Turnover/income in P&L/I&E		1,000

* Note if the shop is the primary purpose of the charity then the Credit would go to 'income from charitable activities'.

	CU	CU
FRS 102 – Non SORP assuming no element of SORP adopted Dr cost of sales/administrative expenses	950	
Cr stock on the balance sheet		950
Dr Bank	1,000	
Cr Turnover/income in P&L/I&E		1,000

Example 10: Donated goods or services – donated goods held for resale – Other trading activities not main charitable activity

Charity A's primary purpose is to provide knowledge and support to persons effected by a certain physical condition. It also carried on shops where donated goods are provided. The income from the shops in the year was CU1,000 and the expenses were CU 800 which includes wage costs.

The journals required under FRS 102 (non-SORP) are:

	CU	CU
Dr Bank	1,000	
Cr Turnover/income		1,000
Dr administrative expenses	800	
Cr Bank		800

The journals required under **FRS 102 SORP** are:

	CU	CU
Dr income from other trading activities in the SOFA	800	
Dr bank/debtors	200	
Cr income from other trading activities in the SOFA		1,000

Example 11: Donated goods or services – donated services

The rules with regard to recognition of income where services are provided are similar to where donated goods are received as detailed in the examples above. However where services or facilities are given for the charity's own use they should be measured initially at the value to the charity (i.e. the amount the charity would have to be pay if it were to -pay for this facility service in the open market). Income should be recognised when the service or facility is received.

Charity A received the services of an electrician to repair wiring in the charity's premises at no charge. If the charity were to get an electrician it would cost the charity CU2,000. Therefore the journals required are:

	CU	CU
Dr expenditure on charitable activities in the SOFA OR administrative expense in P&L/I&E	2,000	
Cr donations in the SOFA OR Income/Turnover in P&L/I&E		2,000

If this work related to the construction of its premises it may be possible to capitalise this cost and then depreciate.

If this time we assume the charity obtains an office rent free. Then the journal would be to:

	CU	CU
Dr expenditure on charitable activities in the SOFA OR administrative expense in P&L/I&E	2,000	
Cr donations in the SOFA OR Income/Turnover in P&L/I&E		2,000

Here S.6.31 of SORP or PBE34.74 of FRS 102 requires disclosure of amounts and nature of non-exchange transactions recognised in the accounts.

Note the donated time of volunteers is not required to be recognised in the financial statements (usually individuals who do not perform a business on their own account in the service they provide).

4) Grants of all natures (including optional grants) – Performance model

NOTE FULL FRS 102 SORP ONLY PERMITS THE PERFORMANCE MODEL TO BE UTILISED FOR GRANTS. FRS 102 GIVES A CHOICE TO EITHER APPLY THE PERFORMANCE MODEL OR THE ACCRUALS MODEL

Grants of all natures (including capital grants) – note change here from full FRS 102

- a) If there are no performance conditions attached then recognise (ignore restriction on how the funds are to be used):
- Immediately assuming the charity has:
 - Entitlement
 - Probable economic benefits will flow
 - Can be reliably measured
 - Even if costs have not been incurred the income must be recognised in the SOFA (applies to capital grants also)
 - If there are performance conditions attached then recognise:
 - Only when the performance conditions are met
 - Even if costs have not been incurred the income must be recognised in the SOFA (applies to capital grants also)
- b) Example of performance conditions:
- service level conditions, or
 - a set number of output to be done, or
 - opening hours of facilities, or
 - number of meals to be provided
 - Requirement to employ a certain number of staff for a set period
- c) Terms attaching to a grant which can be ignored when looking if the performance conditions have been met:
- Rules restricting the use of the funds
 - Conditions that allow for the recovery of the grant by the donor of any unexpended part of a grant:
 - Terms which are within the charity's control & there is sufficient evidence that the terms will be met. Examples include:
 - Submission of accounts or certification of expenditure

- The requirement to hold it for charitable purposes and if sold to invest in charitable activities (as this is stated in the charity constitution then this is a given)
- d) Accruals model with regard to government grants cannot be used under FRS 102 SORP (however it can be used if FRS 102 non SORP accounts are being prepared).
- Must be recognised in income when performance conditions are met (regardless if costs have not been incurred).

e) Accrual model FRS 102 only (cannot be utilised under FRS 102):

the accruals model recognises the grant so as to match it with the costs incurred. So for revenue type grants such as training grants, the grant could be recognised in income in any of the following ways:

- Matched against direct training costs
- Taken over a period of time against salary for the employees expected to benefit from the training
- Taken systematically over a straight line basis
- Taken when cash is received

As can be seen there will be judgement required as to which best meets the company requirements. It is vital that the company applies the policy chosen consistently and discloses this in the accounting policies.

Example 12: Accruals model - capital grant – depreciable asset (applicable for FRS 102 only and not Charities SORP)

Charity A received a grant of CU100,000 towards the cost of constructing its premises for provision of its charitable activities. This grant was provided on condition that the charity construct a specialist treatment unit for a certain type of beneficiary a number of years ago and on condition that it continue to be used by the charity for that purpose and if it is sold the disposals proceeds must be utilised for charitable purposes.

The useful life of the premises itself is 50 years.

In this case, the amount to be recognised each year will be based on the 50 year life as this is the life that the asset is depreciated over. Hence there is a matching of the depreciation charge on the property with amortisation of the grant. The total grant to be released each year is CU2,000 (CU100,000/50yrs). The journals required are:

	CU	CU
Dr Bank	100,000	
Cr Deferred Revenue/Grant Liability		100,000

Being journal to recognise receipt of the funds

	CU	CU
Dr Accumulated Amortisation on Grant Liability	2,000	
Cr Grant Amortisation – Other income		2,000

Being journal to recognise the release of the grant each year for 50 years.

If the above was a grant on land, which is non-depreciable, it is likely that this should be released over the terms of the building constructed on it.

Example 13: Accruals model (applicable for FRS 102 only and not Charities SORP) – capital grant

Charity A received a grant of CU100,000 towards the cost of constructing its premises. A condition of the grant is that the Charity continues to utilise the manufacturing plant for a period of 20 years. As part of the grant they are required to maintain employment for 3 years.

In this particular case, judgement will have to be made as to whether in substance this is a capital grant or a revenue grant. All facts would have to be reviewed. However, given the large grant and the fact that it is principally towards the cost of the plant, in this particular case it would be treated as a capital grant and accounted for accordingly.

Example 14: Accruals model (applicable for FRS 102 only and not Charities SORP) – revenue grant

If in example 12, the above was a Capital Assistance Scheme loan from a local authority to purchase a property to be used to house beneficiaries of the charity. This loan is mortgaged on the property. As part of the loan the charity is required to keep the properties in good structural order and proper repair and ensure that they are used for the charities purpose and let to eligible persons and rented to beneficiaries at fair rates. If the above conditions are met the loan will be forgiven after 20 years of receipt. If repayment is not made if requested the provider can take steps to recover the loan through the mortgage held.

In this case the loan is considered government assistance. The journals required under the accruals model would be the same as above.

Note if this was a Capital Assistance loan which was not from a government agency it would be accounted as a concessionary loan under Section 11 of FRS 102 – the journals would differ as the loan would remain at 100k for the 20 years until forgiven.

Example 15: Accruals model (applicable for FRS 102 only and not Charities SORP) – revenue grant

Charity A obtained a grant for the cost of carrying out research which will go on for three years. The total amount of the grant was CU100,000. It was conditional on using the funds for this service and no other conditions were imposed. The costs are expected to incurred over the 3 year life evenly. Under the accruals model the income would be recognised evenly over a 3 year period (i.e. CU33,333 per annum). The journals required are to:

	CU	CU
Dr Bank	100,000	
Cr Deferred revenue		66,667
Cr Income in P&L/I&E		33,333

Example 16: Performance model (applicable for FRS 102 and Charities SORP) – revenue grant

Charity A obtained a grant for the cost of carrying out research which will go on for three years. The total amount of the grant was CU100,000. It was conditional on using the funds for this service and no other conditions were imposed. The costs are expected to incurred over the 3 year life evenly. As it is probable that the conditions for this grant will be met (which are within the control of the charity), and given that there are no other performance conditions, under the performance model the full grant should be recognised in income on receipt.

The journals required are to:

	CU	CU
Dr Bank	100,000	
Cr Donations in SOFA OR Income in P&L/I&E		100,000

Example 17: Performance model – Revenue Grant

Charity A received a Capital Assistance Scheme loan of CU100,000 from a local authority to purchase a property to be used to house beneficiaries of the charity. This loan is mortgaged on the property. As part of the loan the charity is required to keep the properties in good structural order and proper repair and ensure that they are used for the charities purpose and let to eligible persons and rented to beneficiaries at fair rates. If the above conditions are met the loan will be forgiven after 20 years of receipt. If repayment is not made if requested the provider can take steps to recover the loan through the mortgage held.

As these are loans which are considered repayable unless certain conditions are met, it comes within the remit of Section 5 of SORP. As the charity must maintain the property to certain conditions and ensure they are let to eligible persons at a fair rate these would reflect performance conditions. Therefore the loan cannot be released to income until the 20 year period is over and all of the performance conditions have been met. This loan would be shown as a creditor greater than one year and only released as a donation on the expiry of the 20 years assuming all the conditions are met. This is supported by Section 11 of FRS 102 & Section 11 of SORP which specifically states that a liability cannot be derecognised until there is formal forgiveness of the loan received.

The journals required on initial receipt are:

	CU	CU
Dr Bank	100,000	
Cr Government Capital Assistance loans – Loans > 1 year		100,000
Being journal to defer income on initial recognition		

The journals required on expiry of 20 years

	CU	CU
Dr Loans in ‘creditors: amounts falling due within one year’	100,000	
Cr Donations & Legacies – unrestricted fund in SOFA OR Income in I&E/P&L		100,000
Being journal to release the loan once it has been forgiven		

Note if this was a loan which was not from a government agency it would be accounted as a concessionary loan – the journals would remain the same.

Example 18: Capital grants (FRS 102 and FRS 102 SORP – performance model)

Assume that a capital grant has been received by the charity in the year of CU50,000. The conditions of the grant states that the grant is conditional on the charity providing 100% occupancy for five years with the amount reducing for each of these 5 years.

Assume the 100% occupancy was achieved in year one.

Under this method the following would be the journals under the performance model:

	CU	CU
Dr bank	50,000	
Cr income from charitable activities - restricted fund (CU50,000/5 yrs* 1 yr gone)		10,000

Cr deferred revenue 40,000
 Being journal to defer the amount over the 5 year period

If the condition of the grant stated that the full amount of the grant is repayable if the 5 year condition is not met, then no income would be recognised until the end of year 5.

Example 19: Capital grants (FRS 102 and FRS 102 SORP – performance model) – Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted

If we take example 18 and this time assume the grant was received in the comparative year prior to adoption of the SORP. Assume that the asset to which it relates is depreciated over 10 years (CU5,000 per year on grant element of cost) and that the accruals model was applied under full FRS 102. The carrying amount of the grant liability at 31 December 2015 was CU45,000.

Journals for year ended 31 December 2015:

	CU	CU
Dr expenditure on charitable activities in SOFA with the reversal of amortisation – restricted column (assuming the amortisation was originally posted to restricted expenses as opposed to income). This then gets recognised in the restricted fund in the ‘funds of the charity’ section of the balance sheet which reflects the depreciation on the cost element of the asset covered by the grant	5,000	
Cr Government grants on balance sheet (CU50,000-CU45,000)		5,000
Being journal to reverse previous amortisation charged on the grant under accruals model		
	CU	CU
Dr Government grants on balance sheet (CU50,000-CU40,000)	10,000	
Cr income from charitable activities in SOFA with the release of grant for 1 year – restricted column. This then gets recognised in the restricted fund in the ‘funds of the charity’ section of the balance sheet which reflects the depreciation on the cost element of the asset covered by the grant		10,000
Being journal to reflect the restatement of the prior year balances due to the change of accounting policy for recognition of 1/5 th of grant in the year		

Example 20: Grants and performance conditions

A grant was to be provided to a charity subject to the Charity obtaining matching funds to allow the construction to be completed. Given that this is a performance related condition the grant cannot be recognised in income until the matching funding is obtained by the charity. The journal to defer would be to Dr Bank and Cr Deferred revenue.

Example 21: Grants and performance conditions

A grant was to be provided to a charity subject to the Charity obtaining planning permission to allow the construction to be completed. Given that this is a performance related condition the grant cannot be recognised in income until planning permission is obtained by the charity.

Example 22: Grants and performance conditions

A grant was provided by the HSE to a charity on condition that a certain service level must be achieved throughout the year. Given that this is a performance related condition the grant cannot be recognised in income until the service conditions have been met.

Example 23: Grants and performance conditions

A grant is provided subject to the charity providing a number of work placements in a particular period. In this case the income can only be recognised in the specified period in which the work placements are completed (i.e. the grants restricts when the work placements can be given). In this case the grant would be deferred until this period has elapsed and the requirements have been met.

This is similar where a number of training weeks are specified as part of the grant.

Example 24: Grants and performance conditions

A multi-period grant has been approved for a charity. However it will only be paid on the basis of agreed budgets. On this basis the charity cannot recognise the income until the grant provider has approved the budgets.

Example 25: Grants and the performance model (Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted)

Charity A applied a policy of recognising grants on an accruals basis under FRS 102. For the year ended 31 December 2016 the charity has decided to apply Charities SORP FRS 102 for the first time. At the 31 December 2014 and 2015 the charity held a liability for deferred capital grants on the balance sheet of CU769,000 and CU719,000 respectively (as the government grants were released to the income and expenditure statement over the life of the asset). These grants were provided on condition that the charity construct a specialist treatment unit for a certain type of beneficiary a number of years ago and on condition that it continue to be used by the charity for that purpose and if it is sold the disposals proceeds must be utilised for charitable purposes.

The amortisation credit recognised in the income and expenditure in the 2015 financial statements was CU50,000.

On adoption of the SORP the charity is required to change its accounting policy from the accruals basis to the performance basis. Given that the grants was given for a specific purpose this is a restricted grant and therefore should be recognised in a restricted fund.

From the facts above it is evident that under the performance basis the charity has complied with grant conditions and therefore the grant should have been recognised in full a number of years ago if the performance basis had of been applied. The requirement that the charity has to continue to use the property for charitable purposes does not prevent it from being recognised as this is within the control of the charity and the charity has full intention to abide by this condition.

The adjustments required are as follows:

Journals for year ended 31 December 2015:

	CU	CU
Dr Government grants on balance sheet	769,000	
Cr restricted fund in the 'funds of the charity' section of the balance sheet		769,000
Being journal to reflect the restatement of the prior year opening reserve balance due to the change of accounting policy		

	CU	CU
Dr expenditure on charitable activities in SOFA with the reversal of amortisation – restricted column (assuming the amortisation was originally posted to expenses as opposed to income). This then gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet which reflects the depreciation on the cost element of the asset covered by the grant	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reflect the restatement of the prior year results for the reversal of amortisation charged on government grants due to the change of accounting policy and instead reflect this as depreciation		

OR

	CU	CU
1) Dr income with the reversal of amortisation (assuming the amortisation was originally posted to income as opposed to expenses).	50,000	
2)*Dr expenditure on charitable activities – restricted fund	50,000	
2) Cr expenditure on charitable activities		50,000
1) Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2016 and reflect the depreciation on the cost element of the asset covered by the grant being shown in the restricted fund.		

*Journal 2 above reflects the reclassification of depreciation on the cost element of the asset covered by the grant from unrestricted as previously reported under FRS 102 to restricted. This then gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet.

The journals required in the 2016 year assuming the 2016 trial balance was not prepared under SORP and the above journals were posted to reserves etc.:

	CU	CU
Dr expenditure on charitable activities in SOFA with the reversal of amortisation – restricted column (assuming the amortisation was originally posted to expenses as opposed to income). This reflects the depreciation on the cost element of the asset covered by the grant. Then this gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2016		

OR

	CU	CU
1) Dr income with the reversal of amortisation (assuming the amortisation was originally posted to income as opposed to expenses).	50,000	
1) Cr Government grants on balance sheet		50,000
2) Dr expenditure on charitable activities - restricted fund	50,000	
2) Cr expenditure on charitable activities - unrestricted fund		50,000

Being journal to reverse the amortisation of the capital grant recognised in 2016 and reflect the depreciation on the cost element of the asset covered by the grant being shown in the restricted fund

*Journal 2 above reflects the reclassification of depreciation on the cost element of the asset covered by the grant from unrestricted as previously reported under FRS 102 to restricted. This then gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet.

Example 26: Grants and the performance model (Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted):

If in the above example (example 25) a grant was received in the 2015 year for CU769,000 and the only condition of the grant/donation was that it was to be used to purchase a fixed asset and that fixed asset was not purchased by the year end, the full grant should still be recognised in the SOFA. It is irrelevant that the expenditure has not been incurred. Assume that in 2016 the money was spent and the asset was put into use and amortisation of CU50,000 was credited to the income and expenditure account in that year. Assume 31 December 2016 is the first time preparing SORP accounts.

In that case the journal would be to:

Journals for year ended 31 December 2015:

	CU	CU
Dr Government grants on balance sheet	769,000	
Cr restricted fund in the line 'Donations and legacies' in the SOFA (this then gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet). This reflects the depreciation on the cost element of the asset covered by the grant. Then this gets recognised in the restricted fund in the 'funds of the charity' section of the balance sheet.		769,000

Being journal to reflect the restatement of the prior year results and the opening reserve balance due to the change of accounting policy

There is no reversal of an amortisation credit here as the asset had not been put into use.

The journals required in the 2016 year assuming the 2016 trial balance was not prepared under SORP and the above journals were posted to reserves etc.:

	CU	CU
Dr expenditure on charitable activities in SOFA with the reversal of amortisation – (assuming the amortisation was originally posted to expenses as opposed to income).	50,000	
Cr Government grants on balance sheet		50,000

Being journal to reverse the amortisation of the capital grant recognised in 2016

OR

	CU	CU
Dr income with the reversal of amortisation (assuming the amortisation was originally posted to income as opposed to expenses).	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2016		

Example 27: Capital grants and the performance model (Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted)

If we take example 25 and this time assume that the grant/donation was provided on condition that it was used to construct a facility which could be used by the charity for general purposes as opposed to being used for specific purpose.

In this instance initially on receipt of the funds these would be classed as restricted funds. However once the building was constructed given that the grant only provided that it be used for general charity purposes the funds initially recognised in restricted funds could then be transferred to unrestricted funds in the transfer line in the SOFA. Applying this to the above example on adoption of FRS 102 SORP the journals would be:

Journals for year ended 31 December 2015:

	CU	CU
Dr Government grants on balance sheet	769,000	
Cr unrestricted fund in the 'funds of the charity' section of the balance sheet		769,000
Being journal to reflect the restatement of the prior year opening reserve balance due to the change of accounting policy		

	CU	CU
Dr expenditure on charitable activities in SOFA with the reversal of amortisation – unrestricted column (assuming the amortisation was originally posted to expenses as opposed to income). This then gets recognised in the unrestricted fund in the 'funds of the charity' section of the balance sheet which reflects the depreciation on the cost element of the asset covered by the grant	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reflect the restatement of the prior year results for the reversal of amortisation charged on government grants due to the change of accounting policy and instead reflect this as depreciation		

OR

	CU	CU
Dr income with the reversal of amortisation (assuming the amortisation was originally posted to income as opposed to expenses).	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2015		

The journals required in the 2016 year assuming the 2016 trial balance was not prepared under SORP and the above journals were not posted to reserves:

CU	CU
----	----

Dr expenditure on charitable activities in SOFA with the reversal of amortisation – unrestricted column (assuming the amortisation was originally posted to expenses as opposed to income). This reflects the depreciation on the cost element of the asset covered by the grant. This then gets recognised in the unrestricted fund in the ‘funds of the charity’ section of the balance sheet.	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2016		
OR		
	CU	CU
Dr income with the reversal of amortisation (assuming the amortisation was originally posted to income as opposed to expenses).	50,000	
Cr Government grants on balance sheet		50,000
Being journal to reverse the amortisation of the capital grant recognised in 2016		

Example 28: Performance model – Revenue Grant – Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted

Charity A previously applied the accruals model to grants. In previous years Charity A obtained a grant for the cost of carrying out research which will go on for three years. The total amount of the grant was CU100,000. It was conditional on using the funds for this service and no other conditions were imposed. The costs are expected to incurred over the 3 year life evenly. Under the accruals model the income was recognised evenly over a 3 year period (i.e. CU33,333 per annum).

The Charity has decided to adopt Charities SORP for year ended 31 December 2016. At this stage 2 of the 3 years have elapsed. The deferred income on the FRS 102 balance sheet at 31 December 2014 and 2015 was CU66,667 and CU33,333 respectively. Under SORP performance model as there are no performance conditions this would have been recognized as income immediately.

Journals for year ended 31 December 2015:

	CU	CU
Dr Deferred revenue on balance sheet	66,667	
Cr restricted fund in the ‘funds of the charity’ section of the balance sheet		66,667
Being journal to reflect the restatement of the prior year opening reserve balance due to the change of accounting policy		

	CU	CU
Dr Donation & Legacies in SOFA - restricted column	33,333	
Cr Deferred revenue on balance sheet		33,333
Being journal to reflect the reverse the release of the grant under the accruals model under FRS 102 - as grant fully released on receipt under performance model. This assumes under FRS 102 there was a donations heading under FRS 102		

Journals for year ended 31 December 2016 assuming the above were brought forward for reserves and 2016 TB prepared under full FRS 102 (non SORP):

	CU	CU
Dr Donation & Legacies in SOFA - restricted column	33,334	
Cr Deferred revenue on balance sheet		33,334
Being journal to reflect the reverse the release of the grant under the accruals model under FRS 102 - as grant fully released on receipt under performance model. This assumes under FRS 102 there was a donations heading under FRS 102		

Example 29: Performance model – Revenue Grant – Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted

Charity A received a Capital Assistance Scheme loan of CU100,000 from a local authority to purchase a property to be used to house beneficiaries of the charity. This loan is mortgaged on the property. As part of the loan the charity is required to keep the properties in good structural order and proper repair and ensure that they are used for the charities purpose and let to eligible persons and rented to beneficiaries at fair rates. If the above conditions are met the loan will be forgiven after 20 years of receipt. If repayment is not made if requested the provider can take steps to recover the loan through the mortgage held.

Under full FRS 102 the accruals model was adopted and the loan/grant was written off over the life of the loan in line with the depreciation rate on the related property. The carrying value of the loan at 1 January 2015 and 31 December 2015 was CU90,000 and CU88,000 respectively (2k per annum).

As these are loans which are considered repayable unless certain conditions are met, it comes within the remit of Section 5 of SORP. As the charity must maintain the property to certain conditions and ensure they are let to eligible persons at a fair rate these would reflect performance conditions. Therefore the loan cannot be released in income until the 20 year period is over. This loan would be shown as a creditor greater than one year and only released as a donation on the expiry of the 20 years assuming all the conditions are met. This is supported by Section 11 of FRS 102 & Section 11 of SORP which specifically states that a liability cannot be derecognised until there is formal forgiveness of the loan received.

Journals required in the 31 December 2015 year end:

	CU	CU
Dr Restricted fund in funds of the charity (100k-90k)	10,000	
Cr Government Capital Assistance loans – Loans > 1 year		10,000
Being journal to reflect the restatement of the prior year opening reserve balance due to the change of accounting policy		
	CU	CU
Dr Donations and legacies in Restricted fund section of SOFA (100k-90k)	2,000	
Cr Government Capital Assistance loans – Loans > 1 year		2,000
Being journal to reflect the restatement of the prior year comparative due to the change of accounting policy		

The journals required in year ended 31 December 2016 assuming the 2016 TB was prepared in accordance with Full FRS 102 and the above journals were posted to reserves etc.

	CU	CU
Dr Donations & Legacies – unrestricted fund in SOFA	2,000	
Cr Loans in 'creditors: amounts falling due within one year'		20,000
Being journal to reflect reversal of accruals model journals		

Example 30: Adoption of the performance model – revenue grant – Example of adjustment on transition from Accruals model to performance model when Charities SORP first adopted

Charity A decided to adopt Charities SORP FRS 102 for the year ended 31 December 2016. The company received a government revenue grant on 1 January 2014 of CU10,000 for the cost of employing 10 employees. A condition of the grant states that the employees must be kept on for a

minimum of 2 years. Under FRS 102 the charity applied the accruals model as its accounting policy. As a result charity A recognised the full CU10,000 in 2014 on the basis that the conditions of the grant were likely to be achieved and that the CU10,000 grant was recognised in income to set against the first years cost of the employees.

On adoption of the SORP an adjustment is required to the comparative year to reflect the change in accounting policy from an accruals basis for government grants to a performance basis. The adjustments required are as follows:

At 1 January 2015

	CU	CU
Dr General fund – unrestricted	10,000	
Cr Deferred Revenue		10,000
Being journal to recognise the deferral of the grant under the performance model as the grant cannot be recognised in the SOFA until after 31 December 2016.		

Year ended 31 December 2015

No journals required other than the carry forward of the opening balance sheet journal above.

Year ended 31 December 2016

	CU	CU
Dr Deferred Revenue	10,000	
Cr donations and legacies		10,000
Being journal to derecognise the grant liability as the performance conditions are met		

5) Change in Accounting Policy – possible adjustments on transition

Income/expenditure recognition the same under SORP as was required under Section 34 of FRS 102 with the below exceptions:

- Government grants must be recognised under the performance basis. FRS 102 gave a choice to use the accruals basis or the performance basis – note only applied to government grants.
- Investment property must be carried at fair value. FRS 102 provided a get out if it could not be valued without undue cost or effort it could be carried at cost less impairment.
- Investment in associates/joint ventures must be carried at either cost less impairment or fair value through P&L. The option for FV through OCI is N/a.
- Self-constructed assets which are not complete cannot be classified as investment property

If applied any of above policies not permitted under SORP (unless it is felt a true and fair override is justified - unlikely) then a change of accounting policy is required to restate the comparative year and the opening balance sheet at the start of that year for the new accounting policy. Disclosures required:

- Detail nature of change
- The reason for the change and how this provides more reliable and relevant information
- The amount of adjustment for each line item in FS's affected for the current period, prior period and aggregate amt relating to period before those presented (if practicable, and if not practicable state why)
- Have word 'restated' over each note to which a change occurred
- Note change in accounting policy in SOCE if presented and in any event in the 'The analysis of Net Funds' note

Main adjustments will be where capital grants were accounted for under accruals model under FRS 102/FRSSE.

See examples 11 to 14 above for an example of the journals required for a change in accounting policy for recognising grants on a performance basis when previously they were recognised on an accruals basis. See illustration on the disclosure requirements in the financial statements which utilises the figures in example 11 above.

Example 31: Example prior period adjustment disclosure for a change in accounting policy from the accruals model to the performance model for government grants

PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING POLICY

Previously the company applied FRS 102 as its accounting framework but did not apply the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015. As a result of adopting the Charities SORP (FRS 102) in the current period a change in accounting policy was required so as to ensure compliance with the Charities SORP FRS 102.

Under FRS 102 the company adopted an accounting policy to recognise all grants on an accruals basis as opposed to on a performance basis. However, under the FRS 102 Charities SORP all grants including capital grants should be recognised as income in the SOFA on a performance basis (i.e. when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably). Given that the Charities SORP (FRS 102) represents best practice for all charities as it seeks to provide information relevant to the understanding of the directors and the performance and financial position of the Charity the directors believe the change in accounting policy is required.

As a result of the change in accounting policy from the accruals basis to the performance basis it has resulted in:

- the amount previously recognised as deferred income on the balance sheet at 31 December 2014 and 2013 of CU719,000 and CU769,000 respectively being released to a restricted fund within charity's funds where the grant was given for a specific purpose **OR** to a general fund where the grants were not required to be applied for a specific purpose. The reason for this is that this CU719,000 and CU769,000 respectively would previously have been recognised in the SOFA had the performance model been applied from inception. If the performance basis had of being applied from inception this income would have been released to the SOFA in the years 201X, (CUXXX) and 201X (CUXXX) respectively.
- the amortisation credited/recognised in income **OR** in expenses in the year ended 31 December 2014 of CU50,000 on capital grants accounted for under the accruals model being reversed.
- the depreciation of CUXXXX on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA from the unrestricted fund.
- the recognition of additional income in the SOFA of CUXXX with regard to grants received for capital purposes where the conditions of the grant were complied with which was recognised as deferred income on the balance sheet under the accruals model previously (**for illustrative purposes**).

The impact of applying the performance model as opposed to the accruals model for the current year is that:

- additional income of CU100,000 has been recognised in the SOFA with regard to capital grants received where the performance conditions have been met which previously would have been deferred and included in deferred income under the accruals model; and
- the amount recognised in expenditure on charitable activities would have been CU55,000 lower for the amortisation that would have been released on the capital grants under the accruals model.
- there would be no requirement to show the depreciation on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA.

Below is the analysis of the adjustments to the SOFA and the balance sheet in the comparative year:

BALANCE SHEET	As previously stated 2014 CU'000	Prior year Adjustment CU'000	As Restated 2014 CU'000
Fixed assets			
Tangible assets	1,500	-	1,500
Investments	996	-	996
	2,496	-	2,496
Current assets			
Stocks	-	-	-
Debtors	1,300	-	1,300
Cash at bank and in hand	500	-	500
	1,800	-	1,800
Creditors: amounts falling due within one year	(577)	-	(577)
Net current assets	1,223	-	1,223
Total assets less current liabilities	3,719	-	3,719
Capital grants	(719)	719	-
Provision for liabilities	-	-	-
Total net assets	3,000	719	3,719
The funds of the charity:			
Restricted funds	-	719	719
Unrestricted funds	3,000	-	3,000
Total charity funds	3,000	719	3,719

STATEMENT OF FINANCIAL ACTIVITIES

	As previously stated 2014 CU'000	Prior year Adjustment CU'000	As Restated 2014 CU'000
Income from:			
Donations and legacies	2,400	-	2,400
Charitable activities	1,500	-	1,500
Other trading activities	105	-	105
Investments	2	-	2
Other income	-	-	-
Total income	4,007	-	4,007
Expenditure on:			
Raising funds	1,636	-	1,636
Charitable activities	1,225	50	1,275
Total expenditure	2,860	50	2,910
Net gain on investments	3	-	3
Net income for financial year	1,150	50	1,100
Transfer between funds	-	-	-
Net movement in funds	1,150	50	1,100
Reconciliation of funds:			
Total funds brought forward	1,850	769	2,669
Total funds carried forward	3,000	-	3,719

Example 32: Investment property – on transition to SORP

Under full FRS 102 a charity adopted the policy of recognising investment properties at cost less depreciation and amortisation as opposed to carrying them at fair value with movements in the fair value recognised in the SOFA on the basis that to value these at fair value would result in undue cost or effort. The SORP does not permit the cost model the fair value model must be used.

The charity is adopting the FRS 102 Charities SORP for the year ended 31 December 2016.

The total carrying amount at 31 December 2015 was CU80,000 after an accumulated depreciation charge of CU20,000. Assume CU10,000 was charged as depreciation in 2015. This was classified with PPE under full FRS 102.

Assume the market value at the start and end of comparative year was CU120,000 and CU130,000 respectively.

Journals required at 31 December 2015

	CU	CU
Dr investment property in PPE (CU120k-CU90k)	30,000	
Cr General fund - unrestricted (CU120k-CU90k)		30,000
Dr investment property in PPE (CU130k-(CU80k+CU30k))	20,000	
Cr depreciation		10,000
Cr gain on investment in SOFA		10,000
Being journal to reflect investment property at fair value and the reversal of the depreciation charge for the change in accounting policy including the restatement at the date of transition.		
	CU	CU
Dr investments with investment property	130,000	
Cr tangible fixed assets – PPE		130,000
Being journal to reflect reclassification from PPE to investments		

Example 33: Investment property

Charity A purchased an investment property at a cost CU100,000. The market value at the year end date was CU130,000 respectively.

Under Section 16 of FRS 102 & Section 10 of FRS 102 SORP investment property must be held at fair value at year period end with movement in the fair value recognised in the P&L. Investment property is classified as investments in FRS 102 SORP but classified as within property, plant and equipment under FRS 102.

Journals required at 31 December 2015

	CU	CU
Dr Investments on balance sheet OR investment property in PPE (CU130k-CU100k)	30,000	
Cr Gain on investments in SOFA OR Other operating income in P&L/I&E		30,000
Being journal to reflect investment property at fair value		

6) Financial assets & liabilities (S.11 of SORP)

- a) Rules are as per FRS 102 (Section 11 & 12 & 34)
- b) Financial instruments – basic financial instruments examples (definition as per Section 11):

- c) Bank loans/overdrafts at market rate – state amount advanced less transaction costs where material and amortise over life of loan on the effective interest rate basis;

Example 34: Loans with transaction costs/arrangement fees incurred

Charity A received a loan of CU14,000,000 on 16 April 2015 from a bank at market rates. Arrangement fees of CU420,000 were incurred. The loan must be repaid by 31 March 2021 with interest charged as per below and repayments as per below.

Note if the arrangement fee is not material it can be expensed immediately.

Under Section 11 of SORP & S.11 of FRS 102 the journals required on initial recognition are:

	CU	CU
Dr bank	14,000,000	
Cr bank loan		14,000,000

Dr bank loan	420,000	
Cr bank		420,000

Being journal to reflect the receipt of the loan and the payment of the arrangement fee which is set against the loan .

The CU420,000 arrangement fee is released to the SOFA within the line ‘expenditure on charitable purposes’ as an interest cost over the life of the loan on the effective interest rate basis. If non SORP accounts then it would be shown as an interest cost in the P&L. Through the use of an excel formula we determined the effective interest rate to be 2.5783%. The journal in the current year would be to (see table below back up for the numbers):

	CU	CU
Dr expenditure on charitable activities – interest cost OR Interest cost in P&L/I&E	106,937	
Cr bank loan		106,937

Being journal to reflect the release of the arrangement fee for April 2015 to December 2016 under the effective interest method.

Period Ending	Opening Balance	Interest for Period at the above rate	Payment of interest	Amount to be released - arrangement fees	Capital repayments	Closing Balance
01/04/2015	13,580,000	-	-			13,580,000
30/06/2015	13,580,000	350,135	(336,000)	14,135		13,594,135
30/09/2015	13,594,135	350,500	(336,000)	14,500		13,608,635
31/12/2015	13,608,635	350,873	(336,000)	14,873		13,623,508
31/03/2016	13,623,508	351,257	(336,000)	15,257		13,638,765
30/06/2016	13,638,765	351,650	(336,000)	15,650		13,654,415
30/09/2016	13,654,415	352,054	(336,000)	16,054		13,670,469
31/12/2016	13,670,469	352,468	(336,000)	16,468		13,686,937
31/03/2017	13,686,937	352,892	(336,000)	16,892		13,703,829
30/06/2017	13,703,829	353,328	(336,000)	17,328		13,721,157
30/09/2017	13,721,157	353,775	(336,000)	17,775		13,738,932
31/12/2017	13,738,932	354,233	(336,000)	18,233		13,757,164
31/03/2018	13,757,164	354,703	(336,000)	18,703		13,775,867
30/06/2018	13,775,867	355,185	(336,000)	19,185		13,795,053
30/09/2018	13,795,053	355,680	(336,000)	19,680	(400,000)	13,414,732
31/12/2018	13,414,732	345,874	(326,400)	19,474	(400,000)	13,034,206
31/03/2019	13,034,206	336,063	(316,800)	19,263	(400,000)	12,653,469
30/06/2019	12,653,469	326,246	(307,200)	19,046	(400,000)	12,272,516
30/09/2019	12,272,516	316,424	(297,600)	18,824	(400,000)	11,891,340
31/12/2019	11,891,340	306,596	(288,000)	18,596	(400,000)	11,509,936
31/03/2020	11,509,936	296,762	(278,400)	18,362	(400,000)	11,128,298
30/06/2020	11,128,298	286,923	(268,800)	18,123	(400,000)	10,746,421
30/09/2020	10,746,421	277,077	(259,200)	17,877	(400,000)	10,364,297
31/12/2020	10,364,297	267,224	(249,600)	17,624	-	10,381,921
31/03/2021	10,381,921	267,679	(249,600)	18,079	(10,400,000)	0.00
	0	0				
	0	-00		420,000		

- d) Debtors/creditors – no financing arrangement and at normal credit terms if <12 months then at the amount of invoice (no present valuing) = at the amount receivable/payable present valued using a deposit interest rate;
- e) Cash = amount held
- f) Investment in non-puttable shares = transaction cost initially and subsequently at fair value – movement go through line 'loss/gain on investments' in SOFA;
- g) Loans given by charity at market rates – state at amount advanced less repayments etc.
- h) Loans given by the charity/to the charity at a non-market rate which further the charitable activities of the charity = Choice under S.21 of SORP to either recognise:
1. Initially based on the discounted amount using a market based rate on a similar loan and & subsequently hold it at amortised costs releasing to SOFA on the effective interest rate basis;
 2. Initially based on the actual amount advanced/received with no discounting and subsequently at the actual amount after repayments/impairments etc.

Example 35: Concessionary loans – option not to discount

Charity A received a loan from a third party/subsidiary company for CU100,000 which is interest free or below market interest rates and not repayable on demand (repayable in 5 years time). This loan was

provided to further the charitable activities (e.g. to purchase a building to be used to provide charitable services).

In this instance the entity has a choice to carry this loan at amortised cost (discounting at a market rate of interest on initial recognition as a finance arrangement exists) under the rules of Section 11 of FRS 102 and the Charities SORP (assuming it meets the requirement of a basic financial instrument) or apply Section 21 of Charities SORP or Section 34 of FRS 102 to carrying this loan on initial recognition at the transaction amount i.e. the amount of the loan received less transaction costs – no discounting required.

In order to classify as a concessionary loan it must have been received/given in order to advance the charitable objectives of the charity.

If this was a loan given to a beneficiary at favourable rates it would be classified as a programme related investment/social investment.

Based on the above facts this loan meets the definition of a concessionary loan so the initial recognition journals are:

	CU	CU
Dr bank	100,000	
Cr loan		100,000

Being journal to reflect the receipt on initial recognition. No discounting is required.

The above loan is defined as programme related loans under SORP and should be disclosed as such.

Note where a concessionary loan exists, the accounting policy must be disclosed as well as it being highlighted as a concessionary loan and the terms of same should be disclosed.

Extract from the accounting policies note

Public benefit concessionary loans – programme related assets [If Required]

Public benefit concessionary loans are initially measured at the amount received or paid in the balance sheet and subsequently adjusted to reflect any accrued interest payable or receivable and repayments made/received. Public benefit entity concessionary loans are loans made or received between a public benefit entity and another party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the public benefit entity. To the extent that a loan that has been made is irrevocable, an impairment loss shall be recognised in the statement of financial activities within the expenditure on charitable activities cost.

Extract from the notes to the financial statements with regard to concessionary loans:

1. DEBTORS¹²

	2015	2014
	CU'000	CU'000
Trade debtors	100	500
Amounts due on public benefit entity concessionary loans ³	-	-
Amount receivable from non-exchange transactions ⁴	-	-

¹ S19.68 of Charities SORP – at a minimum the debtors note must be split between: trade debtors, amounts owed by group undertakings, amounts owed by associated undertakings; prepayments and accrued income; and other debtors Company law requires any type of taxation debtor to be disclosed separately

² S19.68 of Charities SORP – where debtors are due after more than one year these should be split out

³ Public benefit entity loans are required to disclose separately in the notes under Section 34 of FRS 102. (see accounting policy for definition of public benefit entity concessionary loans). The conditions attached to these loans are also required to be disclosed. S21.40 - 21.43 of Charities SORP requires this to be disclosed separately on the face of the balance sheet if it is deemed material enough. Where this loan is given in pursuit of the charity's charitable purpose then this would be classed as a programme related investment here, examples would be loans to other charities which is related to the charitable purpose.

⁴ As this is not a financial instrument there is only a need to present value where settlement is delayed.

Legacies	50	-
Other debtors	-	-
Accrued income	-	-
Prepayments	650	800
	<u>800</u>	<u>1,300</u>

The fair values of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of CUXXX (2014: CUXXX).

The public benefit entity concessionary loan is interest free and repayable on demand.

2. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR⁵

	2015 CU'000	2014 CU'000
Bank loans and overdrafts	-	-
Trade creditors	500	400
Amounts payable on public benefit entity concessionary loans (see note 23) ⁶	-	-
Deferred income (see note 26) ⁷	-	-
Accruals	200	100
Payments received on account for contracts	-	-
Payments received on account for performance related grants	-	-
Other creditors	-	-
Accruals for grants payable	-	-
PAYE/PRSI ⁸	54	77
	<u>754</u>	<u>577</u>

3. DETAILS OF BORROWINGS (IF ANY)⁹

	Within 1 year CU'000	Between 1 & 2 years CU'000	Between 2 & 5 years CU'000	After 5 years CU'000	Total CU'000
<u>Repayable other than by instalments</u>					
Bank Overdrafts	-	-	-	-	-
Public benefit entity concessionary loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
<u>Repayable by instalments¹⁰</u>	-	-	-	-	-
Term Loan					

⁵ Creditors to be split out at a minimum as per below. S10.82 of Charities SORP

⁶ Public benefit entity loans are required to disclose separately in the notes under Section 34 of FRS 102. (see accounting policy for definition of public benefit entity concessionary loans). The conditions attached to these loans are also required to be disclosed. Charities SORP requires this to be disclosed separately on the face of the balance sheet if it is deemed material enough.

⁷ Required to be disclosed separately under company law. S5.59 of Charities SORP requires a note to be included detailing why the income is deferred and should analyse the movement of the deferred income account.

⁸ Company law requires tax by type to be split out separately whether it be a debtor or a creditor. If this is an unincorporated entity it should be shown within the line 'taxation and social security'.

⁹ Terms and conditions of loans to be disclosed under S11 of Charities SORP. Sch 3(67) of CA 2014 requires disclosure of terms of loans, the analysis of debt which is repayable other than by instalments after 5 years and debt repayable in instalments.

¹⁰ Include details of bank loans, finance leases and HP agreements. Required under CA 2014 and Charities SORP. Need to disclose the terms of the loan etc. under S.11 of Charities SORP and under CA 2014

The bank facilities¹¹ are secured by a debenture incorporating fixed and floating charges over the assets of the company and personal guarantees from the Directors.

The facilities expiring within one year are annual facilities subject to review at various dates during 2015/2016. Interest is payable at a fixed rate of x% OR at the standard variable rate of interest of X%.

The public benefit entity concessionary loan is interest free and repayable on 31 December 2019.

Example 36: Concessionary loans – option to discount

If we take example 25 above and this time assume the alternative treatment was applied then the difference between the discounted amount and the amount received would be shown as income initially and unwinding would be posted to the line 'cost of charitable activities in the SOFA as an interest cost over the life of the loan in line with the effective interest method.

Calculated EIR	5.00%			
Period Ending	Opening Balance	Interest for Period at the above rate	Cashflow	Closing Balance
31/12/2016	78,342	3,919		82,261
31/12/2017	82,261	4,115		86,377
31/12/2018	86,377	4,321		90,698
31/12/2019	90,698	4,537		95,236
31/12/2020	95,236	4,764	(100,000)	-0

NOTE WHERE OPTION ONE IS CHOSEN S.21.26 OF SORP REQUIRES THAT WHERE THE AMOUNT IS REPAYABLE WITHIN ONE YEAR OR IS REPAYABLE ON DEMAND IT DOES NOT NEED TO BE DISCOUNTED (I.E. THE RULES IN NUMBER 2 APPLY).

	CU	CU
Dr bank	100,000	
Cr loan		78,342
Cr Income from donations and legacies in the SOFA OR Turnvoer/ income in P&L/I&E		21,658
Being journal to reflect the receipt on initial recognition		
	CU	CU
Dr cost of charitable activities – Interest expense in the SOFA OR Interest expense in P&L/I&E	3,919	
Cr loan		3,919
Being journal to recognise the unwinding of the interest in the first year		

- i) Bonds issued at premium/discount = hold at amortised cost and release premium/discount over life of lease on the effective interest rate basis.

Example 37: Bonds issued at discount/premium

Charity A acquired a capital guaranteed government bond for CU950,000 on 30 April 2016 and matures on 16 March 2021. The bond was for CU1 million and had a coupon rate of 5% with commission costs of CU2,000.

¹¹ Company assets pledged as security should be disclosed here, where the security is pledged in a personal capacity by the company directors this should be disclosed in the related party note

This should be accounted for under Section 11 of FRS 102 and Section 11 of Charities SORP. The discount should be amortised into the SOFA/P&L/I&E over the life of the bond on the effective interest rate basis and held at amortised cost. The effective interest rate is calculated by mathematical formula. It is a rate of .0693% per month as per below.

Table 1

Period Ending	Opening Balance	Interest for Period at .0693%	Cashflow	Closing Balance
30/04/2016	952,000	-		952,000
31/05/2016	952,000	660		952,660
30/06/2016	952,660	660		953,320
31/07/2016	953,320	661		953,981
31/08/2016	953,981	661		954,642
30/09/2016	954,642	662		955,304
31/10/2016	955,304	662		955,966
30/11/2016	955,966	663		956,628
31/12/2016	956,628	663		957,291
31/01/2017	957,291	663		957,955
28/02/2017	957,955	664		958,619
31/03/2017	958,619	664		959,283
30/04/2017	959,283	665		959,948
31/05/2017	959,948	665		960,613
30/06/2017	960,613	666		961,279
31/07/2017	961,279	666		961,945
31/08/2017	961,945	667		962,612
30/09/2017	962,612	667		963,279
31/10/2017	963,279	668		963,947
30/11/2017	963,947	668		964,615
31/12/2017	964,615	669		965,283
31/01/2018	965,283	669		965,952
28/02/2018	965,952	669		966,622
31/03/2018	966,622	670		967,292
30/04/2018	967,292	670		967,962
31/05/2018	967,962	671		968,633
30/06/2018	968,633	671		969,304
31/07/2018	969,304	672		969,976
31/08/2018	969,976	672		970,648
30/09/2018	970,648	673		971,321
31/10/2018	971,321	673		971,994
30/11/2018	971,994	674		972,668
31/12/2018	972,668	674		973,342
31/01/2019	973,342	675		974,016
28/02/2019	974,016	675		974,691
31/03/2019	974,691	676		975,367
30/04/2019	975,367	676		976,043
31/05/2019	976,043	676		976,719
30/06/2019	976,719	677		977,396
31/07/2019	977,396	677		978,074
31/08/2019	978,074	678		978,752
30/09/2019	978,752	678		979,430
31/10/2019	979,430	679		980,109
30/11/2019	980,109	679		980,788
31/12/2019	980,788	680		981,468
31/01/2020	981,468	680		982,148
29/02/2020	982,148	681		982,829
31/03/2020	982,829	681		983,510
30/04/2020	983,510	682		984,191
31/05/2020	984,191	682		984,874
30/06/2020	984,874	683		985,556
31/07/2020	985,556	683		986,239
31/08/2020	986,239	684		986,923
30/09/2020	986,923	684		987,607
31/10/2020	987,607	684		988,291
30/11/2020	988,291	685		988,976
31/12/2020	988,976	685		989,662
31/01/2021	989,662	686		990,347
28/02/2021	990,347	686		991,034
31/03/2021	991,034	687		991,721
30/04/2021	991,721	687		992,408
31/05/2021	992,408	688		993,096
30/06/2021	993,096	688		993,784
31/07/2021	993,784	689		994,473
31/08/2021	994,473	689		995,162
30/09/2021	995,162	690		995,852
31/10/2021	995,852	690		996,542
30/11/2021	996,542	691		997,233
31/12/2021	997,233	32 691		997,924
31/01/2022	997,924	692		998,615
28/02/2022	998,615	692		999,307
31/03/2022	999,307	693	(1,000,000)	0

The journals required to account for this in the year ended 31 December 2016 are:

Journal 1:

	CU	CU
Dr investment-government bond	5,291	
Cr investment income in SOFA OR Other Income in P&L/I&E		5,291
Being journal to unwind the discount on the bond up to 31 December 2016 so as to come to CU 957,291		

Note when the coupon on the government bond is paid in the year, you will continue to recognise the full 5% in income i.e.

Journal 2:

	CU	CU
Dr bank	50,000	
(CU1,000,000 * 5%)		
Cr investment income in SOFA OR Other Income in P&L/I&E		50,000

At each period end the charity must review the bond for indicators of impairment which are given in Section 11. Where these are present they should be written down to the market value of bond/recoverable amount.

If come the following year the impairment has been reversed the previous impairment booked should be reversed back up to the amount it would have been stated at as if no impairment were carried out.

If we assume at 31 December 2016 or prior to the sign off of the accounts, the market value of the bond was CU940,000, then an impairment of CU17,291 (CU957,291-CU940,000) should be booked.

The Journal required would be:

	CU	CU
Dr loss on investment in SOFA OR Impairment of investments in	17,291	
Admin in P&L/I&E		
Cr Government bond		17,291
Being journal to reflect the temporary impairment of the bond		

From that date on you need to calculate the effective interest rate that will bring the CU940,000 to CU1,000,000 by the end of the bonds life. Effective interest rate calculated at 0.0983% through the use of a mathematical formula. See the amount to be released per month in the calculation below:

Table 2

Period Ending	Opening Balance	Interest for Period at 0.0983%	Cashflow	Closing Balance
31/12/2016	940,000	-		940,000
31/01/2017	940,000	924		940,924
28/02/2017	940,924	925		941,848
31/03/2017	941,848	925		942,774
30/04/2017	942,774	926		943,700
31/05/2017	943,700	927		944,627
30/06/2017	944,627	928		945,556
31/07/2017	945,556	929		946,485
31/08/2017	946,485	930		947,415
30/09/2017	947,415	931		948,346
31/10/2017	948,346	932		949,278
30/11/2017	949,278	933		950,210
31/12/2017	950,210	934		951,144
31/01/2018	951,144	935		952,079
28/02/2018	952,079	936		953,014
31/03/2018	953,014	936		953,951
30/04/2018	953,951	937		954,888
31/05/2018	954,888	938		955,827
30/06/2018	955,827	939		956,766
31/07/2018	956,766	940		957,706
31/08/2018	957,706	941		958,647
30/09/2018	958,647	942		959,589
31/10/2018	959,589	943		960,532
30/11/2018	960,532	944		961,476
31/12/2018	961,476	945		962,420
31/01/2019	962,420	946		963,366
28/02/2019	963,366	947		964,313
31/03/2019	964,313	948		965,260
30/04/2019	965,260	948		966,209
31/05/2019	966,209	949		967,158
30/06/2019	967,158	950		968,109
31/07/2019	968,109	951		969,060
31/08/2019	969,060	952		970,012
30/09/2019	970,012	953		970,965
31/10/2019	970,965	954		971,919
30/11/2019	971,919	955		972,875
31/12/2019	972,875	956		973,830
31/01/2020	973,830	957		974,787
29/02/2020	974,787	958		975,745
31/03/2020	975,745	959		976,704
30/04/2020	976,704	960		977,664
31/05/2020	977,664	961		978,624
30/06/2020	978,624	962		979,586
31/07/2020	979,586	963		980,549
31/08/2020	980,549	964		981,512
30/09/2020	981,512	964		982,477
31/10/2020	982,477	965		983,442
30/11/2020	983,442	966		984,408
31/12/2020	984,408	967		985,376
31/01/2021	985,376	968		986,344
28/02/2021	986,344	969		987,313
31/03/2021	987,313	970		988,283
30/04/2021	988,283	971		989,255
31/05/2021	989,255	972		990,227
30/06/2021	990,227	973		991,200
31/07/2021	991,200	974		992,174
31/08/2021	992,174	975		993,149
30/09/2021	993,149	976		994,124
31/10/2021	994,124	977		995,101
30/11/2021	995,101	978		996,079
31/12/2021	996,079	979		997,058
31/01/2022	997,058	980		998,038
28/02/2022	998,038	981		999,018
31/03/2022	999,018	982	(1,000,000)	0

If we assume that at the 31 December 2017 the impairment had reversed. Then a journal would be required to reverse the previous impairment as follows

	CU	CU
Dr investments – government bond (balance if no impairment had of been booked = CU965,283 as per table 1 above less carrying amount at 31 Dec 2017 of CU951,144 as per table 2 above)	14,139	
Cr gain/loss on investments in SOFA OR Reversal of Impairment in administrative expenses in P&L/I&E		14,139
Being journal to reflect reversal of previous impairment		

Note: If the bond was purchased at a premium (i.e. purchased the bond for CU1,050,000) then the journals in journal 1 should be reversed so as to release the premium as a debit against income in the P&L for SORP accounts and for FRS 102 non SORP accounts it would be a debit to interest costs.

- j) Non-puttable ordinary and preference shares carried at fair value.

Example 38: Listed investments (Section 11 of SORP & FRS 102)

Charity A had an investment in ordinary shares which were listed on the stock exchange. The fair value at 31/12/16 was CU11,000 and CU9,000 at 31/12/17. Assume these are unrestricted assets.

As these are listed investments which meet the definition for financial assets, they need to be recognised at fair value in the SOFA or P&L/I&E. The journal required is:

	CU	CU
Dr 'Loss on investments' line in SOFA OR Fair value movement on listed investments in Administration expenses in P&L/I&E or separate on face of P&L (CU11,000 prior carrying amount – CU9,000)	2,000	
Cr Investments at Fair Value		2,000
Being journal to reflect the movement in fair value during the year		

If this was an investment in shares which could not be reliably measured in line with Section 11 of FRS 102 valuation requirements it should be carried at cost less impairment

- k) Complex financial instruments are as per Section 12 of FRS 102. See section 12 of FRS 102 for further details. Examples of complex instruments for charities and therefore need to be fair valued at each year end are; collective investment funds; funds whose performance is linked to the stock exchange; with profit bonds etc.

Example 39: Investments held at fair values (Section 11 of SORP & S.11 & 12 of FRS 102)

The Charity holds an investment that must be carried at fair value under FRS 102 (e.g. listed shares, complex financial instruments such as with profit bonds, perpetual bonds, collective investments, bonds linked to ISEQ etc.). These are classified as complex financial instruments under Section 12 of FRS 102. The fair value of this investment at 1 30 September 2014 and 30 September 2015 was CU1,020,000 and CU990,000 respectively.

The investment cost CU1,000,000 purchased in year ended 30 September 2014.

The journals required are:

At 30 September 2014

	CU	CU
Dr investments (1,020,000-1,000,000)	20,000	
Cr Investment income in SOFA – Unrestricted fund OR Fair value gain on investments in other operating income/other income		20,000
Being journal to reflect investment at fair value		

At 30 September 2015

	CU	CU
Dr investment income in (SOFA – Unrestricted fund (1,020,000-CU990,000)	30,000	
Cr investment		30,000
Being journal to reflect investment at fair value		

Example 40: Fair valuing complex financial instruments (Section 11 of SORP & S.11 & 12 of FRS 102)

Charity A holds the following investment:

- Investment CU1 million linked to fund paying out on maturity capped at 20% (with profit bond)
- Underlying counterparty Bank of Ireland
- Remaining term - 4 years to maturity
- Current fund price +25% (2015 +12%)
- Probability of income being received – very good > 90%
- Absolute return fund, performance positive last 10 years, low volatility in price
- Current yield on BoI 2020 senior bond 0.29% (2015 1.37%)

Investment	1,000,000	
Year to maturity	4	
	<u>2016</u>	<u>2015</u>
Yield BoI 2020 bond	0.29%	1.37%
Likely income on maturity	20%	8%
Discounted Value	<u>1,186,180</u>	<u>1,008,966</u>

This is one way to value this investment

Example 41: Fair valuing complex financial instruments (Section 11 of SORP & S.11 & 12 of FRS 102)

Charity A holds the following investment:

- Investment CU1 million linked to basket of stocks
- Underlying counterparty Spanish B rated Bank
- Remaining term - 6 years to maturity
- 2 stocks down > 50%, likelihood of income 0%
- Current yield on Spanish Bank 2022 senior bond 0.87% (2015 1.45%)

Investment	1,000,000	
Year to maturity	6	
	<u>2016</u>	<u>2015</u>
Yield 2022 bond	0.87%	1.45%
Likely income on maturity	0%	0%
	<hr/>	
Discounted Value	<u>949,353</u>	<u>904,140</u>

- l) Requirement to review financial assets for impairment in line with Section 11 and book impairment if required. Reverse impairment if the indicator reverses but not reverse it above what it would have been stated at had no impairment arose.
- m) Required to carry listed investments at fair value (see example 27A)

7) Programme related assets (S.21 of SORP – no applicable for FRS 102 non SORP)

Programme related investment (PRA) defined in SORP as:

- Asset held by charity which provides investment funding to individuals or organisations in order to directly further charitable objectives, any financial return is secondary
 - If such assets exist and are tangible in nature carry within tangible fixed assets (TFA's) and depreciate (even if rental income is earned) e.g. providing use of building to another organisation who in turn provide a service to charities beneficiaries)
 - If such assets exist and are tangible in nature but it forms part of the charity's own building it will also be classed as TFA's
 - If such an assets is non-puttable ordinary shares it should be held at FV or at cost less impairment if it cannot be measured reliably
 - Gains/loss recognised in other income in SOFA
 - Impairment recognised in 'expenditure on charitable activities; in SOFA
- If investment not originally classed as a programme related asset but a financial asset it cannot be classed as a PRA subsequently.

8) Mixed motive investment defined in SORP (not dealt specifically within FRS 102) as:

- Asset held similar to programme related investment but the charitable cause is not the primary motive, there is both a financial return & charitable motive
- If a mixed use property is used by the charity and some of the property is rented out, then each element should be separated; with value of rental element held as an investment property and balance as PPE unless it is impractical to apportion.

- If such assets exist and are tangible in nature carry within tangible fixed assets and depreciate (even if rental income is earned) where it is. providing use of building to another organisation who in turn provide a service to charities beneficiaries
 - If such an asset is non-puttable ordinary shares it should be held at FV or at cost less impairment if it cannot be measured reliably
 - Gains/loss recognised in 'gains/losses on investments' in SOFA
-

9) Fund Accounting (S.2 of SORP – not required under FRS 102 non SORP)

This has already been discussed in Section 1A of this guide: Presentation of SORP financial statement's (see section 1 (D) (2)).

- Types of funds:
 - Restricted
 - Unrestricted
 - Endowment
 - Revaluation
- Restricted income/fund = income received of any kind where the donor has specifically included a condition that the funds/legacies/gift provided must be used for a specific purpose
 - If the donor merely expresses a form of non-binding preference as to use of the funds then they are not restricted
 - If fundraising carried out and it is stated that the funds will be used for a specific purposes then this would be restricted
 - Where capital grant received toward cost of building etc. need to assess if it is given for a specific premises which is to be used for a specific purpose within charity or if it can be used generally for charity
 - If can be used generally then once building is constructed it can be moved from restricted to unrestricted
 - If it is for specific purpose then needs to be kept in restricted and depreciation each year on building to be included in restricted expenses
- Unrestricted = where no condition attached to the gift etc. other than it be used for the charitable purpose
- Note designated funds go within the unrestricted fund column – designated funds are set up by the trustees, there is no legal requirement stating funds cannot be used for any purpose
- What charities need to do?
 - Review funds in existence at start of comparative year when SORP accounts first prepared to ascertain whether they are restricted, unrestricted or endowment funds

Then classify the income and expenses accordingly in the SOFA

Example 42: Fund accounting (S.2 of SORP – not required under FRS 102 non SORP)

Charity A made a surplus of CU100,000 in the year in the restricted fund. The trustees have decided to transfer CU20,000 of this to a designated fund to provide for the future cost to purchase equipment.

What are the journals required?

	CU	CU
Dr general fund	20,000	
Cr designated fund for equipment		20,000
Being journal to reclassify within funds		

If required it may also be appropriate to transfer to a separate bank account but not necessarily required.

This would be shown in the movement in funds note in the financial statements.

If we take this example and this time assume that the directors determined that they would transfer the CU20,000 to an unrestricted fund in order to fund a deficit on that account. In this case the journals would be to:

	CU	CU
Dr general fund	20,000	
Cr Restricted fund		20,000

This transfer would be shown on the face of the SOFA within the ‘transfers’ line.

Even if there was no surplus for the year in unrestricted fund and there was excess funds forward you could still make a transfer from unrestricted to restricted funds.

Example 43: Fund accounting (S.2 of SORP – not required under FRS 102 non SORP)

Charity A received a grant towards the cost of purchase of a fixed asset. The condition of the grant was that it must be used to purchase the asset and if the asset was sold the proceeds must be used for charitable purposes. The asset can be used for all charitable activities. The value of the grant was CU100,000.

In this case on initial receipt the journal would be to:

	CU	CU
Dr bank/debtor	100,000	
Cr Donations and legacies in SOFA –restricted fund		100,000

Once the funds are used to purchase the fixed assets the journal would be to:

	CU	CU
Dr restricted funds	100,000	
Cr unrestricted funds		100,000
Being journal to reflect transfer. Note this would be shown in the ‘transfer’ line in the SOFA		

10) Fixed assets (S.10 of SORP)

Choice in relation to tangible fixed assets, heritage assets, intangible assets to carry at:

- cost less depreciation and impairment; or
- apply a revaluation policy such that the class chosen is carried at revaluation less depreciation and impairment

Revaluation option – under take revaluation so that carrying amount does not differ materially from fair value

- for land & buildings can be carried out on a rolling basis over 5 year period (**FRS 102 does not state this it merely says that each period end should reflect fair value**)
- Valuation would usually be performed by professional valuer – can use internal staff

For SORP accounts movement in revaluation recognised in 'gain or loss on revaluation of fixed assets' in SOFA. For FRS 102 non-SORP revaluation uplift recognised in other comprehensive income.

Recognise loss on disposal, impairment in cost of charitable activities for SORP but within admin expenses or shown separately if non SORP FRS 102 accounts prepared.

10a) Heritage assets (S.18 of SORP) –

Asset held principally for historic, artistic, scientific, geophysical or environmental qualities that is held principally for its contribution to knowledge and experience

Artistic or historic importance is not enough it must contribute to knowledge and experience.

Examples

- School operating in a historic building cannot classify as a historic asset as it is merely used as a facility for teaching.
- If it is used incidentally for service or admin purposes but principally held for contribution to knowledge and experience, it is a heritage asset
- Heritage assets include abbeys, monasteries, cathedrals and historic churches where a contribution to knowledge is ancillary to faith or other purposes

If a charity does not have a preservation or conservation purposes can only account for the asset as a heritage asset if the asset:

- Has historic, artistic, scientific, technological, geophysical or environmental policies; and
- Contributes to knowledge and culture through retention or use; and
- Is accessible to the public for viewing

Heritage assets should be shown separately under fixed assets in balance sheet

Measured initially at cost or valuation if donated. If valuation cannot be determined due to costs, depreciated replacement cost could be used

If reliable estimate cannot be determined then not included on balance sheet and disclosures provided.

See example disclosure below:

Table 1: Analysis of heritage assets

Basis of capitalisation	At valuation Group A	At cost Group B	Total
	CU	CU	CU
Carrying amount at beginning of the reporting period	X	X	X
Additions	X	X	X
Disposals	(X)	(X)	(X)
Depreciation/Impairment	(X)	(X)	(X)
Revaluation	X	-	X
Carrying amount at reporting date	X	X	X

Table 2: Summary analysis of heritage assey transactions

	2015	2014	2013	2012	2011
	CU	CU	CU	CU	CU
Purchases					
Group A					
Group B					
Donations					
Group A					
Group B					
Total additions					
Charge for impairment					
Group A					
Group B					
Total Charge for impairment					
Disposals					
Group A					
Group B					
Proceeds from disposals					
Group A: carrying amount					
Group B: carrying amount					
Total disposals					
Proceeds from disposals					
Group A: sale proceeds					
Group B: sale proceeds					
Total sale proceeds					

See revaluation example below

Example 44: Revaluation policy on tangible fixed assets (Section 10 of SORP & Section 17 of FRS 102)

Charity A has adopted a policy of revaluation on its PPE. The company purchased an asset for CU500,000 at the start of year 1 and determined the useful life to be 20 years. By the end of year one, there were indications of a change in market conditions and a valuation exercise was performed which showed the market value at CU525,000. At the end of year 4, a further valuation was performed as the difference in fair value and the carrying value was material, at this time the value was reduced to CU300,000. In year 8, a further valuation was performed which indicated a fair value of CU600,000.

Assume the depreciation on the revalued amount is transferred from the revaluation reserve to general unrestricted fund on a year by year basis as the depreciation is charged as required by company law. Assume the asset is not a restricted asset.

Company A would account for the changes in value in the following way:

At end of year 1:

The carrying value of the asset is CU475,000 (i.e. CU500,000 less depreciation for one year of CU25,000 (CU500,000/20yrs))

	CU	CU
Dr fixed assets	50,000	
Cr 'Gains/losses on revaluation of fixed assets in SOFA/revaluation reserve' OR Revaluation of tangible fixed assets in Other Comprehensive income & revaluation reserve		50,000

From then on CU27,632 will be charged in depreciation (CU525,000/19yrs left). The difference between this and the CU25,000 that would have been charged on historic cost basis will be transferred from the general reserve.

At end of year 4:

The carrying value of the asset is CU442,104 (i.e. CU525,000 less depreciation of CU27,632 for three years totaling CU82,896)

	CU	CU
Dr expenditure on charitable activities line in SOFA OR revaluation of tangible fixed assets in P&L/I&E	100,000	
Dr 'Gains/losses on revaluation of fixed assets in SOFA/revaluation reserve' OR Revaluation of tangible fixed assets in Other Comprehensive income & revaluation reserve	42,104	
Cr fixed assets (CU442,104-CU300,000)		142,104

From then on the carrying amount of CU300,000 will be depreciated over the remaining life of 16 years (CU18,750 per annum).

Note 1: From the end of year 1 to end of year 4 for the depreciated asset, the additional depreciation charged of CU2,632 per annum (CU27,632-CU25,000) – (CU7,896 in total) as a result of the revaluation would have been transferred from the general unrestricted fund to the revaluation reserve. Hence carrying amount at end of year 4 in revaluation reserve was CU42,104.

At end of year 8:

The carrying value of the asset is CU225,000 (i.e. CU300,000 less depreciation of CU18,750 for 4 years totaling CU75,000)

	CU	CU
Dr fixed assets (CU600,000 – CU225,000)	375,000	
Cr expenditure on charitable activities line in SOFA / reversal of impairment on tangible fixed assets (note 1) (€100,000 previously posted-€25,000 See Note 1 below)		75,000
Cr 'Gains/losses on revaluation of fixed assets in SOFA/revaluation reserve' OR Revaluation of tangible fixed assets in Other Comprehensive income & revaluation reserve (€375,000-€75,000)		300,000

From then on the carrying amount of €600,000 will be depreciated over the remaining life of 12 years (€50,000 per annum).

Note 1:

The amount that can be credited to the SOFA is reduced by the additional depreciation that would have been charged had the asset not been revalued downward in the past i.e. original cost prior to downward revaluation of €500,000 / useful life of 20 years= €25,000 * 4 years = €100,000. This compares to depreciation charged while the asset was being depreciated on the reduced amount of €75,000 (year 5 to year 8 – €U300,000/UEL of 16 years* 4 years) = €25,000

Transfer of depreciation on revalued amount from profit and loss reserves/general fund

Taking the example above, at the end of year 2 for the depreciated asset, the additional depreciation charged of CU2,632 (CU27,632-CU25,000) as a result of the revaluation must be transferred from general fund OR P&L reserves to the revaluation reserve. The transfer should be shown in the movement on revaluation reserve note.

	Year 2
	CU
Revaluation Reserve at 01/01/Year 2	50,000
Transfer from Profit & Loss Reserve (CU2,632-263)	<u>(2,632)</u>
Revaluation Reserve at 31/12/Year 2	<u>44,368</u>
	CU
Profit and Loss Reserves at 01/01/Year 2	XXX
Transfer to Revaluation Reserve	<u>2,632</u>
Profit and Loss Reserves Reserve at 31/12/Year 2	<u>XXXXX</u>

11) Investment in subsidiaries, associates, JV's (S.28, 29 & S.24 of SORP / S.9, 14 & 15 of FRS 102)

- In entity financial statements, measured at:
 - cost less impairment; or
 - Fair value with movement recognised in 'gains/losses on investments' in SOFA **OR** in Other Comprehensive Income
 - **OR ONLY APPLICABLE IF APPLYING FRS 102 BUT NOT SORP** - Fair value with movement recognised in P&L/I&E
- In Consol financial statements for associates and jointly controlled entities, measured under:

- Equity method

12) Retirement and post-employment benefits (S.17 of SORP & S.28 of FRS 102)

Defined contribution scheme:

- If pension contributions not payable within 12 months of YE then present value required.
- If a commitment to fund a deficit, the amount should be recognised on the balance sheet when committed
- Costs included within the cost of charitable activity and split by restricted/unrestricted funds as appropriate.

Defined benefit plan-

- Recognised for a pension at present value of liabilities less fair value of pension assets
- Actuarial gains/losses recognised in line 'other recognised gains and losses' line in SOFA
- the net interest to be recognised in the SOFA calculated on the net liability/asset using the relevant discount rate for liabilities.
- Multi-employer scheme – can be treated as a defined contribution scheme if the portion of assets and liabilities cannot be identified. If commitment made to fund a deficit then this must be recognised as a liability.
- Past service costs recognised immediately
- Group schemes – requirement for at least 1 company in group to recognise DB scheme (i.e. the entity legally responsible for scheme)
 - If contractual agreement to share between the group then each entity recognises their portion of DB scheme

Requirement to accrue for holiday pay

Example 45: Holiday pay accrual – carry forward of holiday leave including payment on leaving (S.17 of SORP & S.28 of FRS 102)

Charity A has 20 employees. The charity provides 20 days annual leave per year (which is earned throughout the year) and employees can carry forward any unused leave to a future period and is entitled to be paid for the untaken leave if they leave the charity. At 31 December 2016, 10 of the employees had taken only 15 days and 2 employees had taken 17 days. The average pay rate per employee is CU100 per day assuming they are all in the same grade. Assume the rate of ER PRSI is 10%. The entity assumes that all employees will stay on to take the unused leave. The accrual required to be booked at 31 December 2016 is:

$(10 \text{ employees at CU100 per day for 5 days}) + (2 \text{ employees at CU100 per day for 3 days}) = (10 * CU100 * 5) + (2 * CU100 * 3) = CU5,600$ (plus ER PRSI assumed of 10% being CU560) = CU6,160

Example 46: Holiday pay accrual (S.17 of SORP & S.28 of FRS 102)

If we take example 32 and this time assume based on past experience only 90% of employees will remain on the following year based on past experience. In this case even though we believe 90% will stay on, we cannot accrue 90% of the cost as the employees are entitled to be paid in cash on leaving.

Example 47: Holiday pay accrual – no cash payment for untaken holidays on leaving (S.17 of SORP & S.28 of FRS 102)

If we take example 32 and this time assume the Charity does not pay employees for any unused holidays on leaving. If based on past experience, 10% of employees leave in the following year and usually do not take all the unused holiday entitlement. In this case as a cash payment is not required, at the year-end an accrual should be created as follows:

$((10 \text{ employees} * 90\%) \text{ at CU100 per day for 5 days}) + ((2 \text{ employees} * 90\%) \text{ at CU100 per day for 3 days})$
 $= ((10 * .9) * \text{CU}100 * 5) + ((2 * .9) * \text{CU}100 * 3) = \text{CU}5,040$ (plus ER PRSI assumed 10% being CU504) = CU5,544

Example 48: Holiday year differs to accounting year (S.17 of SORP & S.28 of FRS 102)

Charity A has a 30 June year end. It has 20 employees. The holiday entitlement runs on a calendar year. Management expect all employees will take their annual leave within the calendar year. All employees are salaried and the number of working days in the year is 270 days. At 30 June all 20 employees had taken 7 days leave since 1 January. If we assume 10 of the employees are administrative staff and get paid CU30,000 per annum and the other 10 are management staff and get paid CU60,000 per year. The accrual that would be required at 30 June is as follows:

Total annual cost for 10 administrative employees = $10 * \text{CU}30,000 = \text{CU}300,000$
Total annual cost for 10 management employees = $10 * \text{CU}60,000 = \text{CU}600,000$

Total cost per day for each administrative staff = $\text{CU}30,000 / 270 \text{ days} = \text{CU}111$
Total cost per day for each management staff = $\text{CU}60,000 / 270 \text{ days} = \text{CU}222$

Total annual leave earned for all 20 employees = $20 \text{ days annual leave} / 12 \text{ months} = 1.67 \text{ earned per month} * 6 \text{ months leave earned} = 10 \text{ days}$

Total days to be accrued = $10 \text{ days earned less } 7 \text{ days taken pre } 30 \text{ June} = 3 \text{ days}$

Accrual required for admin staff = $\text{CU}111 * 3 \text{ days} = \text{CU}333 * 10 \text{ employees} = \text{CU}3,333$
Accrual required for managerial staff = $\text{CU}222 * 3 \text{ days} = \text{CU}666 * 10 \text{ employees} = \text{CU}6,666$
Employer PRSI would also be accrued on these amounts.

Example 49: Holiday year differs to accounting year (S.17 of SORP & S.28 of FRS 102)

Take example 35 but this time based on past experience management know that only 90% will take their annual leave entitlement and remaining 10% will lose the untaken leave. In this particular case the accrual would be reduced by 10% to 90%.

13) Impairment of assets (S.13 of SORP & S.27 of FRS 102)

- Applies to assets other than:
 - financial assets accounted for under Section 11 of SORP or Section 11 and 12 of FRS 102
 - Deferred tax asset
 - Employee benefits, investment properties, biological assets
- Inventory to be reviewed for impairment indicators
- Where assets are held for service potential as opposed to earn cash flows, impairment only required when:
 - The asset is physically damaged
 - Is not meeting its service requirements
 - Or demand for the service has decreased other than temporarily

Example 50: Impairment of assets (other than financial assets covered by Section 11) – Section 12 of SORP & S.27 of FRS 102

Charity A constructed a property a number of years ago which was specifically used by the charity to provide beneficiaries with a service (e.g. housing service, swimming pool). The carrying amount in the accounts is CU1,000,000

During the year there were indications of a significant reduction in the value of the property. Indications of the market value of the property is CU500,000.

The property itself continues to provide the resources it requires for its services. There has been no damage to the property and there is no indication that demand for the property and services are reducing.

Does an impairment need to be recognised in the current year financial statements?

No assuming the property is held for its service potential an impairment is only required where that property is not meeting the service requirements and the depreciation charge each year reflects the usage of the property.

As the aforementioned are the only indicators of impairment where an asset is held for service potential no impairment review is required. The property is not held specifically for financial purposes but to provide benefits to the public.

Assess for indicators of impairment which are:

- Significant decline in asset's value
- Significant changes in technology or market/ economic or legal environment which has adverse effects on charity
- As asset becoming idle or plans for disposal of an assets
- Evidence of an asset's obsolescence or physical damage
- Evidence of worse than expected results or cash flow from use of asset
- Significant decline in asset's value
- Significant changes in technology or market/ economic or legal environment which has adverse effects on charity
- As asset becoming idle or plans for disposal of an assets
- Evidence of an asset's obsolescence or physical damage

- Evidence of worse than expected results or cash flow from use of asset

When impairment indicators present carry out impairment review to assess recoverable amount

If recoverable amount > carrying amount, then no impairment and vice versa

If an impairment exists, write down asset to higher of:

- Fair value less cost to sell; or
- Value in use

Impairment recognised in expenditure on charity activities in SOFA to the activity the asset is used

- Reversal of impairment posted to expenditure on charity activities in SOFA to the activity the asset is used If conditions have reversed
- Reversal up to amount to which it would have been at had no impairment occurred

14) Business Combinations: (S.27 of SORP & Section 34 of FRS 102)

Example 51: Business Combinations: Mergers

Charity A and Charity B have a year end of 31 December 2016 and are CLG's. Charity B merged with charity A on 1 January 2017. Under Section 34 of FRS 102 and S of SORP this is required to be accounted for under merger accounting. At the date of the merger the net funds of Charity B was €100,000 split €65,000 unrestricted and €35,000 restricted (made up €150,000 assets and €50,000 liabilities). At the start of the comparative period (i.e. 1 January 2016) the net funds of Charity B was €90,000 split €60,000 unrestricted and €30,000 restricted (made up €140,000 assets and €50,000 liabilities). The income in 31/12/16 for charity B was income of €160k and costs of €150k (profit split 5k to restricted & 5k to unrestricted).

The cost of the merger was €50,000.

Section 34 PBE34.80-81 of FRS 102 and Section 27 of SORP lays out the accounting treatment for mergers.

It is a Merger only if **all** of the below apply:

- No party portrayed as acquirer or acquire;
- No significant change in class of beneficiaries of the combined entities;
- All parties are represented on the board and decisions made to conscious.

Merger accounting requires the following in the 31 December 2017 accounts:

- Charity A to recognise the net funds of charity B at 31 December 2014 in a merger reserve (there is no fair value rules – it is transferred in at the carrying amount stated in Charity B at time of transfer)
- Comparative amounts of Charity A as previously stated to be adjusted to include Charity B results in balance sheet and SOFA
- Current year amounts Charity A to be adjusted to include Charity B results in balance sheet and SOFA for the full year (regardless of when it was acquired in that year).
- Cost associated with the merger must be expensed in the 31 December 2017 year in Charity A accounts.
- If restricted funds in Charity B, then should be shown as restricted in combined charity.

Impact on 31 December 2016 accounts for Charity B

- Consideration should be given to the audit report implications where accounts are required for Charity B by the Charities Regulator or Grant provider:
- Not companies Act requirement as Co. is considered dissolved– maybe carry out agreed upon procedures – agree who signs the accounts
- Implications on audit report – present on Break up basis??
- Post balance sheet event note

Impact on 31 December 2016 accounts for Charity A

- Post balance sheet event note;

Impact on 31 December 2017 accounts for Charity A

The following journals are required to be posted to the opening balance sheet within the comparative year (31/12/16)

	CU	CU
Dr Fixed assets, debtors, etc. etc.	140,000	
Cr– Merger Reserve - unrestricted fund under heading 'funds of the charity' in Balance Sheet		60,000
Cr– Merger Reserve - restricted fund under heading 'funds of the charity' in Balance Sheet		30,000
Cr Creditors etc. etc.		50,000
Being journal to reflect the merger and get correct net assets at start of comparative period.		

The following journals are required to be posted to the comparative year in Charity B books (31/12/16)

	CU	CU
Dr Fixed assets, debtors, etc. etc.	10,000	
Dr Expenditure in SOFA in relevant area in unrestricted fund column in SOFA/I&E which follow through to Merger Reserve - unrestricted fund under heading 'funds of the charity' in Balance Sheet (65k-60k)	75,000	
Dr Expenditure in SOFA in relevant area in restricted fund column in SOFA/I&E which follow through to Merger Reserve - restricted fund under heading 'funds of the charity' in Balance Sheet (34k-30k)	75,000	
Cr– Income in relevant heading in unrestricted fund column in SOFA/I&E which follow through to Merger Reserve - unrestricted fund under heading 'funds of the charity' in Balance Sheet (65k-60k)		80,000
Cr– Income in relevant heading in restricted fund column in SOFA/I&E which follow through to Merger Reserve - restricted fund under heading 'funds of the charity' in Balance Sheet (34k-30k)		80,000
Cr Creditors etc. etc.		-

Being journal to reflect the merger and get correct net assets at end of comparative period & show results in the comparative year inclusive of Charity B.

The journals required in 2017 – None assuming the trial balance incorporates the results of the combined entity from 1 January. The €50,000 expenses should be expensed into SOFA/P&L possibly as exceptional items if material.

Example 52: Business Combinations: Gifts of business etc.:

Charity A was gifted a business during the year (which was not incorporated). The excess of fair value over liabilities at the date of the gift was €100,000 (split €150k assets/€50k liabilities).

If there is a transfer which is in substance a gift then this should be recognised as income (within other income in the SOFA) if the fair value of assets exceed the fair value of liabilities at time of gift. This is stated in Section 24.33 of SORP and Section 34 PBE34.77-79 of FRS 102.

If liabilities exceed asset fair value – recognised as an expense in SOFA or P&L/I&E.

Journals required

	CU	CU
Dr Assets etc.	150,000	
Cr Liabilities etc.		50,000
Cr– Other income in SOFA		100,000
Being journal to reflect the gain on gift of business		

If in the above example, these were shares the journals would be to

	CU	CU
Dr Investment in shares on Balance sheet	100,000	
Cr– Other income in SOFA		100,000
Being journal to reflect the gain on gift of shares in business in the entity accounts		

In the consolidated financial statements, the €100,000 would be recognised as goodwill on the balance sheet and amortised.

Example 53: Business combination: Not a merger or gift – Purchase accounting method

Rules are as per Section 19 of FRS 102

15) Other items

Example 54: Insurance proceeds (Section 5 of SORP & Section 21 of FRS 102)

Charity A has a possible insurance claim for damaged property worth €100,000. At the year end a settlement letter had not been received.

Can this CU100k be recognised in the year?

No as per Section 5.55 of SORP it cannot be recognised until it is virtually certain and a letter of settlement is received from the insurer. Section 21 states that it cannot be recognised until receipt is almost certain.

	CU	CU
Dr debtor	100,000	
Cr Other income in SOFA OR Exceptional item in P&L/I&E		100,000

Example 55: Operating leases (S.10 of SORP & S.20 of FRS 102)

Charity X operates in a jurisdiction in which the consensus forecast by local banks is that the general price level index, as published by the government, will increase by an average of 10 per cent annually over the next five years. X leases some office space from Y for five years under an operating lease.

The lease payments are structured to reflect the expected 10 per cent annual general inflation over the five-year term of the lease as follows:

- Year 1 €100,000
- Year 2 €110,000
- Year 3 €121,000
- Year 4 €133,000
- Year 5 €146,000

Charity X recognises annual rent expense equal to the amounts owed to the lessor as shown above. If the escalating payments are not clearly structured to compensate the lessor for expected inflationary cost increases based on published indexes or statistics, then X recognises annual rent expense on a straight-line basis: €122,000 each year (sum of the amounts payable under the lease divided by five years).

Example 56: Rent free period

Charity A entered into a lease with a landlord for 10 years with a rent review after year 5. The rent payable on the lease per annum is CU200,000. As part of the agreement, the landlord agreed to provide the first 3 months rent free ($CU200,000/12\text{mths} \times 3\text{mths} = CU50,000$). Under Section 20, the lease incentive needs to be written off over the life of the lease. Assume the lease agreement commenced on 1 October and Company A's year end is 31 December. The journals required to be posted in Company A's TB at the 31 December are:

	CU	CU
Dr expenditure on charitable activities in rent costs in SOFA	48,750	
Administrative expenses in P&L/I&E ($CU16,250 \times 3 \text{ months}$)*		
Cr Lease incentive accrual		48,750

From year 2 on, the €48,750 is written back to the profit and loss and set against the rental expense i.e. at the end of year 2 the accrual would be reduced to CU43,750 ($CU48,750 - CU5,000$) to show the net cost of CU195,000 per annum.

If in the above example the landlord provided a contribution of CU50,000 towards the cost of fixed assets or towards the cost of relocating, the treatment would be the same.

*Calculate the actual total rental payments over the 10 years i.e. actual rent payments are only paid for 9 years and 9 months = $CU200,000 \times 9.75 \text{ years} = CU1,950,000$. Therefore the total amount of rent to be charged over the life of the lease is = $CU1,950,000/10 \text{ years} = CU195,000$ per annum or CU16,250 per month. Therefore for the first 3 months an accrual is required as no payment is made. However, this accrual is then reduced over the life of the lease such that the cost shown each year is CU195,000. **NOTE: THE DATE OF THE RENT REVIEW IS IGNORED.**

If this was given as a gift which would not be given if the entity was not a charity. The same journals would be required.

Common errors in FRS 102 SORP accounts

- Not amortising premium/discounts on bonds over life of the bond
 - Not including an accounting policy for concessionary loans or not considering such loans from an FRS 102 perspective
 - Not disclosing the fact that it is a public benefit entity
 - Not applying the 'assets held for service potential' and instead booking an impairment based on value in use
 - Not identifying certain bonds as complex instruments (e.g. with profit bonds)
 - Not recognising the value of donated services and goods as income and an expense.
-

Conclusion

- Very little transition adjustments other than those listed above in part 5.
- Principles follow FRS 102.

CRO Number - 123456

OmniPro Sample SORP Charity Company Limited by Guarantee

Directors'/Trustees' Report & Financial Statements

Year Ended 31 December 2017

(Company Limited by Guarantee having no share capital)

Disclaimer

These financial statements are solely illustrative and intended to be used exclusively for educational and training purposes. They provide guidance in relation to the format and contents of a Company Limited by Guarantee financial statements under Companies Act 2014 as amended by the Companies (Accounting) Act 2017 and SORP 'Accounting Reporting by Charities' effective, 1 January 2015 (Charities SORP FRS 102). They do not purport to give definitive advice in any form. Despite taking every care in the preparation of this document OmniPro does not take any legal responsibility for the contents of these financial statements and the consequences that may arise due to any errors or omissions. OmniPro shall therefore not be liable for any damage or economic loss occasioned to any person acting on, or refraining from any action, as a result of or based on the material contained in this publication.

The small companies regime is detailed in Section 15 of CAA Act 2017. CAA 2017 inserts a new Section 280A-280C to CA 2014. The CAA 2017 changes are mandatory for periods commencing on or after 1 January 2017 but Section 14 of that Act permits the small companies regime (and S1A of FRS 102) to be early adopted for all periods commencing on or after 1 January 2017. Note S.1A is optional, it does not have to be applied. This section states that a company qualifies for the small companies regime if it fulfils at least two of the three qualifying conditions listed below:

- In relation to its first financial year; or
- In relation to its current financial year and the preceding financial year; or
- In relation to its current financial year and it qualified as a small/medium company in the preceding financial year; or
- In relation to the preceding financial year and it qualified as a small/medium company in the preceding financial year

	Small Co	Small Group
Turnover	≤€12 million	≤€12 million-net ≤€14.4 million-gross
Balance Sheet Total	≤€6 million	≤€6 million net ≤€7.2 million-gross
Employees	≤50	≤50

Each set of Financial Statements should be specifically tailored for each client.

These financial statements are prepared under FRS 102 are prepared as an example of a set of financial statements without adjustments on transition to FRS 102.

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Contents

Note

Under New S.280A(4) and S.280B(5) certain entities do not qualify for the small companies regime even if they meet the size criteria set out above and must prepare statutory financial statements on the basis of the large company provisions and are not entitled to avail of the abridgement options as a small company. S.280A-280C does not apply to a company falling within any provision of Schedule 5 of the Act (Eg. Authorised investment firm, insurance intermediary of any other company carrying on of business by which is required to be authorised by the Central Bank) or they are a credit institution or insurance undertaking. The same applies for the holding company of small groups even where they meet the thresholds if any of the entities in the group come within Schedule 5 etc. then they cannot apply the small companies regime. Note for the purposes of abridged financial statements for such a small company, a holding company that prepares group financial statements cannot file small abridged financial statements under S.352 of CA 2014.

The Companies (Accounting) Act 2017 may be cited as the Companies (Accounting) Act 2017 but the legislative references in the financial statements do not need to be updated

ES PASE (Ethical Standard Provisions Available for Small Entities) may be availed of for those Companies which are ~~not~~ within the following:

- not more than €3.65million balance sheet total; and
- not more than 50 employees.

Disclosures in this regard have been included in this Pro-Forma set of Financial

Statements. Each set of Financial Statements should be specifically tailored for each client.

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Directors ¹ /Trustees ²	Mr A Director Ms B Director Mr C Director
Secretary	Mr A Director
Auditors	Compliant Accountant & Co Accountants & Statutory Audit Firm Accountants Row, Any County
Bankers	Any Big Bank PLC, Money Street, Moneysville, Any County Deep Pockets Bank, Financial Services Sector, Ballycash, Any County
Solicitors	Legal Eagles & Co., Court Place, Judgestown Any County
Companies Registration number ³	123456
Registered Office	Construction Place, Builders Lane, Dunblock Any County

This information is disclosed as best practice, there are no legislative requirements attaching to directors and other information disclosures

¹ State nationality of directors if not Irish

² Required under S.17 of CAA 2017 by inserting into S.291&295 of CA 2014

³ Required under S.17 of CAA 2017 by inserting into S.291&295 of CA 2014

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

The directors/trustees present their annual report and audited financial statements for the year ended 31 December 2017.

This is the first set of financial statements prepared by OmniPro Charity Company Limited by Guarantee in accordance with accounting standards issued by the Financial Reporting Council, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as modified by the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015. Previously the company applied FRS 102 but did not apply the Statement of Recommended Practice "Accounting and Reporting by Charities" (FRS 102 Charities SORP). The charity has applied the Charities SORP on a voluntary basis as its application is not a requirement of the current regulations for charities registered in the Republic of Ireland however it is considered best practice.

Reference and Administrative Details

The organisation is a charitable company with a registered office at XX Town, Co XXXX. The Charity trades under the name XXXXX⁴. The companies registered number is 123456.

The charity has been granted charitable tax status under Sections 207 and 208 of the Taxes Consolidation Act 1997, Charity No CHY 12345 and is registered with the Charities Regulatory Authority⁵. The charity has a total of 10 trustees.

The CEO is Mr XX who has x years of experience. The day to day management of the charity is also directed by the following individuals in addition to the CEO who are considered key management personnel⁶:

General manager: Senior supervisor: Mr T My S (expand as appropriate)

Details of the external advisors engaged by the Charity are as follows:

Type	Name	Address
Bankers	XYZ Bank	X Street, Town, County X
Solicitors	YTT Solicitors & Co	X Street, Town, County X
Investment managers	XYZ Limited	X Street, Town, County X
Auditors	Auditor & Co.	X Street, Town, County X

Directors/trustees and secretary⁷

The names of persons who at any time during the financial year and since the year end unless otherwise stated were directors/trustees of the company are as follows:

Mr A Director/Trustee (retired 2 February 2016)
Mr B Director/Trustee (appointed 2 February 2017)

⁴S.1.27 of Charities SORP requires this detail. Also requires disclosure of the registered office of the company

⁵S.1.27 of Charities SORP requires this detail

⁶ S.1.52 of Charities SORP – Large companies are required to detail the name of the CEO and any other senior management that are involved in the day to day running of the charity and the names of professional advisors used in the period.

⁷ The names of the persons who were directors during the financial year should be included for periods commencing on or after 1st of June 2017. Directors may be required to retire by rotation under the Co.s Constitution. S1.27 of Charities SORP requires disclosure of the names of trustees during the period and up to the date of approval of the financial statements. Where a trustee is a body corporate disclosure is required of all of the directors of that company at the date of approval of these financial statements

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

Mr C Director/Trustee

XX Trustee Limited (the directors of this company at the date of approval of these financial statements were: Mr X, Mr Y)

Mr A Director/Trustee held the position of company secretary for the duration of the financial year.

*Title to Property*⁸

Mr XX, a trustee for the charity holds title to the land owned by the Charity.

Principal Activities and Objectives⁹

The charity has X trustees who meet on a monthly basis and are responsible for the strategic direction of the charity. The charity is ran on a day to day basis by the general manager and the chief executive officer is responsible for ensuring that the charity meets its long and short term aims and the day to day operations run smoothly.

The charity's objects and principal activities are to¹⁰:

- Benefit the public by providing a safe and supervised facility where young people can meet and interact; and
- Benefit the young people of the community by providing both education and recreation facilities for them to use and enjoy. The entity has achieved this stated aim for the current year.

The mains area of the company's charitable activity are:

- The provision of a facility where youths between the ages of X-X can gather so as to provide an outlet for young people to cherish. During the year the charity had XX youths use the service;
- Operation of a café for the general public from the company's buildings which is perfectly located, the profits from which are used to fund the charitable activities.
- Provision of counselling services and advice. During the year the charity provided counselling services to XX youths
- The provision of grants to youths
- To show the youth of today the positive side of life through our counselling services etc etc¹¹.

The Company had 400 members in the year an increase of 10% on the prior year which acts as evidence how the charity fulfils its objectives.

The short term aims of the charity and the strategy adopted to achieve these aims including the projects undertaken are¹²:

- Provide a broad range of facilities for the youth to enjoy. There are 20 volunteers and 10 employees engaged in the provision of this service. The strategy adopted to achieve this objective is to continue to introduce new activities into the youth centre. As part of this strategy the company constructed a new indoor soccer pitch during the year which has proved very successful.

⁸ Required by S.1.27 of Charities SORP

⁹ S.326 of the Companies Act 2014 and S.1.17, S1.19 and S1.20 of Charities SORP– This should be expanded depending on the size and complexity of the entity. Also required to give a summary of the main achievements of the charity

¹⁰ S.1.17 of Charities SORP – requires disclosure of the objective and activities of the charity

¹¹ S.1.19 of Charities SORP requires that projects identified in the accounts should be discussed here. Where practicable information given in this report about resources spent on particular activities should be consistent with the analysis provided in the accounts.

¹² S.1.36 of Charities SORP requires that the short term and long term aims of the charity be detailed for large Charities and the strategy for achieving these aims should also be disclosed.

- Offer opportunities for young people to gain experience of working in a real work environment through the provision of employment in the charity café. There are 20 volunteers and 10 employees engaged in the provision of this service.
- Provide accessible counselling services at minimal prices. There are 10 contractors engaged in the provision of this service. This aim was achieved in the year as the price of counselling services was reduced from €10 to €5 per session.
- Increase donations through a targeted advertising campaign and have volunteers attend all major sport and recreational events.
- Etc. etc.

The long term aims of the charity and the strategy adopted to achieve these aims including the projects undertaken are¹³:

- Continue to broaden the range of programmes. The charity's aim to Introduce a programme called 'know your neighbours' to get all classes of younger people to interact;
- Open an indoor soccer arena
- Creation of a bereavement group for young people so that those effected by death can voice their feelings to the group
- Etc. etc.

The key performance indicators are detailed below:

	Target	Actual
	2017	2017
No. of members	300	350
No. of grants provided	5	15
Satisfaction of members with counselling services*	80%	85%

*based on questionnaires filled in by counselling recipients.

Grant making policy

The charity is engaged in the provision of grants to suitable parties, by providing these grants it allows the beneficiaries to avail of counselling facilities where funds are not available to them to pay for such services. Beneficiaries are provided with grants based on the means of the family. The grant making policy is reviewed each year to align our grants with our priorities and programmes of activity for the year. The charity invites applications by advertising in the newspapers. Applicants fill out a means assessment questionnaire which is used as the basis of the charity's decision on which applicants would receive a grant based on predetermined means levels.¹⁴

Our Volunteers¹⁵

The trustees are very grateful to the unpaid general volunteers who help by staffing our shops, carrying out fundraising on the charity's behalf. Volunteers also provide assistance with events, giving time and supplies to make them a success. The total number of unpaid volunteers that provided services in the year was XX which equated to X man hours OR It is impossible to quantify the additional thousands of hours generously given by the public.

¹³ S.1.36 of Charities SORP requires that the short term and long term aims of the charity be detailed for large Charities and the strategy for achieving these aims should also be disclosed.

¹⁴ S.1.38 and 1.39 of Charities SORP requires that for large charities where grant making is a material part of the charities activities the grant making policy must be disclosed and an explanation of how its grant making activities contribute to the achievement of its aims and objective.

¹⁵ S1.39 of Charities SORP requires that for large charities where a significant contribution is given by volunteers the report should explain what services they provide and the contribution in terms of hours or staff equivalents.

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

Social investment

During the year the charity provided a loan to 25 individuals in order to allow those individuals to apply for college. These loans were interest free. In return the youths in question have agreed to work in the café and supervise younger members¹⁶ therefore contributing to the Charities objectives through developing the young to allow them to go to college and then reinvest their time back into the Charity.

Business Review¹⁷ and Financial Results¹⁸

Against the backdrop of limited resources and insecurities over funding, it has continued to be difficult to plan or develop services. Nevertheless the charity, with the aid of sound financial management and the support of both its staff and volunteers generated a very positive financial outcome for the period. The retained surplus for the financial year amounted to €3,719,000 (2016: €1,100,000) and this was transferred to reserves at the year end¹⁹. The principal source of funding for the charity is the charity shop and generosity of the general public with donations. The company also receives a number of grants from XXX. Grants of XX were received in the current year²⁰.

At the end of the year the company had assets of €xx (2016: €xx) and liabilities of €xx (2016:€xx). The net funds of the company have increased by €3,127,000 (2016: €3,719,000) and the directors are satisfied with the level of retained reserves at the year end. Of the net funds at 31 December 2017 of €6,846,000, €819,000 of this is attributable to restricted funds.

Reserves policy

The charity has a policy of transferring X% of any retained surplus to a designated fund for refurbishment and repairs of the premises **OR** The charity has determined it is not necessary to hold reserves given the significant cash reserves it holds²¹.

Aside from retaining a prudent amount in designated reserves each year most of the charity's funds will be spent in the short term. The remaining amount which are not held for short term purposes are invested in non-risk investment funds/deposit accounts which earned a return of x% in the current year.

The trustee's have established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets of the charity or for repair work should be between 3 and 4 months of unrestricted charitable expenditure which equates to €400,000. At the year end the total unrestricted funds of the charity was €6,027,000, €1,500,000 of this has been set aside for the purchase of office equipment which is likely to occur in the next year, a further €xxx relates to a revaluation reserve on the charity's property which will be utilised as the depreciation is charged on the property or when the property is sold.

¹⁶ S1.38 of Charities SORP requires disclosure of social investments made, how these programme related investments contribute to the achievement of the charities objectives.

¹⁷ S.327 of the Companies Act 2014 only applies to companies that do not qualify for the small companies regime and requires a fair review of the company including development and performance and the asset, liability and financial position of the company at the end of the year

¹⁸ S.326 of the Companies Act 2014 – This should be expanded depending on the size and complexity of the entity ¹⁹ S.327 of the Companies Act 2014 only applies to companies that do not qualify for the small companies regime and requires a fair review of the company including development and performance and the asset, liability and financial position of the company at the end of the year

²⁰ S1.47 of Charities SORP requires disclosure of the principal funding sources for the charity and how these resources support the key objectives

²¹ S.1.22 of Charities SORP requires the report to detail the policy for holdings reserves and state the amount of the reserves. If there is a policy of holding no reserves, the reason for this must be explained. For large charities they need to also the likely timing of payments from designated funds, identify any amount of funds that can be realised by disposing of assets, state amount of reserves at the end of the year excluding restricted funds.

OR

The charity needs reserves to:

- Ensure the charity can continue to provide a stable service to those who need them.
- Meet contractual obligations as they fall due;
- Meet unexpected costs;
- Provide working capital when funding is paid in arrears;
- Meet the costs of winding up in the event that was necessary
- Be adequate to cover X months of current expenditure.

Based on this, the trustees are satisfied that it holds sufficient reserves to allow the charity to trade successfully.

OR

Based on this, there is a deficit between the required funds and the actual funds. The Charity are taking the following actions to address this deficit:

- Cutting non-essential expenses
- Closing our XX office
- Renting out the spare office space in the premises²².

The total restricted funds at year end are €819,000 which are not included in the trustee's view of the charity's reserve needs because these restricted funds are held by the charity only for as long as is necessary to organise the necessary programmes. Normally these funds are spent within 6 months of receipt.

*Going concern (if applicable)*²³

The trust reported a net outflow of €XXX. At the year end the company had negative unrestricted funds of €XXXX. The financial statements have been prepared on a going concern basis. The validity of this assumption is dependent on the anticipated maintenance of support by the Company's bankers through the maintenance of existing borrowings together with ongoing interest roll-up, a return to profitability and donations from the general public. The trustees remain in regular contact with the sponsoring local authorities to secure on-going financial support and has obtained further grants from XX since the year end. In addition the Charity are taking the following actions to address this deficit:

- Cutting non-essential expenses
- Closing our XX office
- Renting out the spare office space in the premises.

If the charity was unable to continue in operational existence, adjustments would have to be made to adjust the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The directors have considered the financial position and trading performance of the charity, together with the anticipated support from the company's bankers and the general public. They are satisfied that the company will return to profitability in the year to 31 December 2016. As a result, while recognising that there is uncertainty about these matters at present, the directors are satisfied that the company has the necessary resources to continue trading for the foreseeable future and accordingly they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

²² S.1.48 of Charities SORP requires for large companies where there is a deficit in the funding requirement the charity is required to state the steps the charity is taking to rectify this deficit.

²³ S1.23 of Charities SORP requires where there are uncertainties about the ability of the charity to continue as a going concern at the date of approving the accounts, the natures of the uncertainties must be disclosed

Achievements and Performance²⁴

The main achievements of the company during the year were:

- The Company had 400 members in the year an increase of 10% on the prior year which acts as evidence how the charity fulfils its objectives. By providing youths with an alternative avenue to use their energy it ensures they have more of a fulfilling life.
- Employment of 20 youths in the café
- A satisfaction rate of 85% of members availing of our counselling service
- Provision of grants to 150 members.
- Opening of a new indoor soccer arena.
- Increased donations from €XXX to €XXXX as a result of significant advertising and attendance at all sporting and recreational activities.

The key performance indicators are detailed below²⁵:

	Target	Actual
	2017	2017
No. of members	300	350
No. of grants provided	5	15
Opening of the new indoor soccer arena	Yes	Yes
Satisfaction of members with counselling services*	80%	85%
% increase in donations on prior year through extensive advertising	10%	7%

*based on questionnaires filled in by counselling recipients.

As can be seen from the statistics above all of the charity's aims have been met with the exception of the % increase in donations. The reason why the donations did not increase in line with the targets was principally due to:

- one of the key employers in the area making a significant number of persons living in the village redundant. As a result the public had less disposable income.
- the poor publicity surrounding charities generally regarding the operation of certain charities.

Investment policy²⁶

The trustees have a general power of investment and so enjoy considerable freedom to invest in such investment assets as they see fit. In deciding on any investments the charity takes into account the social, environmental and ethical impacts of these investments and only invests in assets that have a positive impact on all three.

The company makes programme related investments in the form of interest free loans to other charities which in turn provide services to beneficiaries of this charity. These loans are being repaid in line with the loan agreements²⁷.

²⁴ S.1.40-1.45 and 1.20 of Charities SORP requires disclosure of the achievement and performance of the charity ²⁵ Required by S.1.41 of Charities SORP for large charities only – disclosure of achievements against objectives, the performance of the material fundraising activities against the fundraising objectives set, if material expenditure is incurred in the year explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities. Also required to assess the measures or indicators used to assess performance.

Required to disclose those factors (e.g. employees, service users, beneficiaries and funders) that impact the charity both positively and negatively whether within or outside the charity's control and if relevant explain how these have affected plans

²⁶ Required by S.1.41 of Charities SORP for large charities only. Required to show how the investment performed compared to its objectives

²⁷ Required by S.21.39 of Charities SORP for large charities only. Required to include an explanation of the charity's policy for the use of programme related investments and mixed motive investments in the trustees' annual

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

OR

The trustees have regard to the liquidity requirements of the charity and have kept available funds in an interest bearing deposit account and seek to achieve a rate of return on deposits that matches or exceeds the rate of inflation. Due to economic circumstances the deposit rates have been depressed hence the charity did not achieve the aim in the current year. The return achieved on these deposits was a rate of 0.25% compared to an estimated inflation rate of 1%. In deciding on any investments the charity takes into account the social, environmental and ethical impacts of these investments and only invests in assets that have a positive impact on all three.

Structure, Governance and Management

The organisation is a charitable company limited by guarantee. The company does not have a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding one Euro (€1)²⁸.

The charity was established under a Memorandum of Association/Constitution which established the objects and powers of the charitable company and is governed under its Articles of Association/ Constitution and managed by a Board of Directors/Trustees.

The charity has X trustees who meet on a monthly basis and are responsible for the strategic direction of the charity. At these meetings the board of directors/trustees are provided with the key performance and risk indicators. The charity is ran on a day to day basis by the general manager and the chief executive officer is responsible for ensuring that the charity meets its long and short term aims and the day to day operations run smoothly. The CEO and general manager has delegated authority, within terms of delegation approved by the trustees, for operational matters including finance and employment²⁹.

There is clear division of responsibility at the company with the Board retaining control over major decisions. The board of directors retain overall responsibility for the strategic development of the company in close liaison with the executive officers.

Recruitment of Trustees³⁰

The directors' of the company are also the Charity's trustees. The Constitution provides for a minimum of 10 trustees/directors and a maximum of 25. Trustees' are appointed by the rules detailed in its constitution which are:

- Mr/Institution X, an outside party is entitled to appoint one or more trustee's
- Trustees are elected to serve for a period of X years after which time they must be re-elected at the general meeting.
- New potential trustees are interviewed by trustees and an outside party to ensure they have the necessary skills required to do the role.
- All members are circulated with invitations to nominate trustees prior to the AGM advising them of the retiring trustees and requesting nominations for the AGM. When considering co-opting trustees, the board has regard to the requirement for any specialist skills needed.

report when such holdings are material. The report must also explain the investment's performance in relation to the objectives set by the trustees.

²⁸ S.1.25 of Charities SORP – requires details of the how the charity is constituted and provide details of the governing document

²⁹ Required by S.1.51 of Charities SORP for large charities only

³⁰ S.1.51 of Charities SORP – for large charity's only - disclose the organisation structure, how decisions and made and if authority is delegated

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

- XXXX etc.

Nominees appointed by Enterprise Ireland are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to that body.

The trustee's taken as a whole have significant experience in a wide range of area's effecting the charity including but not limited to finance, business, I.T. etc. etc.

Trustee induction and training³¹

The trustees are put through a formal induction course on appointment as trustee for the first time and are put through an orientation day. The induction courses cover:

- The obligations of trustees
- Details of charity law
- The reporting structure and governance including providing a copy of the constitution
- The objectives of the charity and the trustees position in trying to achieve these
- Details of future plans and current financial position
- The business plan and future financial performance of the charity
- The decision making process of the charity
- Formally being introduced to the key management personnel including trustees
- Procedures with regard to trustee expenses etc etc etc

Trustees are unpaid and details of trustee expenses and any related party transactions are disclosed in note X to these financial statements.

Pay policy for senior staff³²

The directors consider the board of directors, who are the Charity's trustees and the senior management team comprise the key management personnel of the charity in charge of directing and controlling the day to day operations. Details of directors expenses are detailed in note X.

The pay of the senior staff is reviewed annually and normally increased in line with inflation. Given the nature of the charity the directors/trustees benchmark against the pay levels in other similar charity's or commercial operations that provide a similar service.

Related parties and co-operation with other organisations

The company provides XXX services to the community in conjunction with XYZ charity.

Future Developments³³

The directors are not expecting to make any significant changes in the nature of the business in the near future.

Or

³¹ Required by S.1.51 of Charities SORP for large charities only

³² Required by S.1.51 of Charities SORP for large charities only. Requires arrangement for setting pay to be disclosed and any benchmarks used when determining the rates to pay.

³³ S.327(5) of the Companies Act 2014 & S1.49&1.50 of Charities SORP – This should be expanded as required. For large Charities the SORP requires disclosure of the future direction of the charity and the lessons learned from past and current activities. Note Section 327 is not applicable for companies that qualify for the small companies regime under Section 280C of CA 2014

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

The directors have indicated their intention to capitalise on industry shifts by continuing to review and focus their operations accordingly in the future.

The strategic plan envisages a significant refurbishment of the premises in 2017. The charities continues to engage with its bankers to ensure the project proceeds. Based on past experience the trustees will concentrate their efforts on young people in the 11-18 age group as these youths are the youths that are most at risk. A major concern is the reduced donations. The Charity has engaged with its bankers to extend the period of the loans currently in existence and are trying to extend the repayment period from 6 years to 16 years in order to release the pressure on cash flow requirements.

Principal Risks and Uncertainties³⁴

The Directors/Trustees have identified that the key risks and uncertainties the Charity faces relate to the risk of a decrease in the level of donations and the potential increase in compliance requirements in accordance with company, health and safety, taxation and other legislation.

The charity mitigates these risks as follows:

- The charity continually monitors the level of activity, prepares and monitors its budgets targets and projections. The charity has a policy of maintaining significant cash reserves and it has also developed a strategic plan which will allow for the diversification of funding and activities; and
- The charity closely monitors emerging changes to regulations and legislation on an on-going basis.

Operational/internal control risks are minimised by the implementation of procedures for authorisation of all transactions and projects and the requirements for budgets covering all activities. Procedures are in place to ensure compliance with health and safety of staff, volunteers, clients and visitors to the centre by ensuring all accreditation is up to date.

Reputational risk – In common with many charities, the company's principal risk is reputational damage. Reputation damage could be caused by an event either within or outside the company's control. In order to mitigate this risk the charity continues to adopt best practices.

Financial Risk Management³⁵

As a result of financial instruments held the company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk.

To maintain stable cash out flows the company maintains 100% (2016: 100%) of its debt at fixed rate and to maintain 50% of its debt payable within one year. The company does not use derivative financial instruments to manage financial risk and no hedge accounting is applied.

Price Risk

The company is exposed to the price risk of commodities through its operations. The directors believe that the cost of managing this risk is in excess of the potential benefits given the size of the company. The directors, however, review the appropriateness of this policy on an annual basis.

Credit Risk

³⁴ S.327(1) Companies Act 2014 & S.151 Charities SORP applies to large charities & companies that do not qualify for small companies regime – Expanded where appropriate to include an analysis of financial and non financial key performance indicators. This is not required for companies that qualify for the small companies regime under S.327(3A) CA 2014.

³⁵ S.326(3), CA 2014 – Only required for companies that do not qualify for the small companies regime where material for an assessment of the company's financial position and the use of financial instruments. Not required for small companies.

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

The company requires that appropriate credit checks are carried out on new customers before sales are made. All customers have individual credit limits that are reviewed on an ongoing basis by the board. Provisions for bad debts are made based on historical evidence and any new events which might indicate a reduction in the recoverability of cash flows.

Liquidity Risk

The company maintains a mix of long and short term finance to ensure the company has sufficient funds available to meet obligations as they fall due.

Interest Rate Risk

The company holds both interest bearing assets and liabilities. Assets include cash balances which earn a fixed rate of interest. The company policy is to maintain debt at a fixed rate to ensure future interest cash flows.

Events after the Balance Sheet date³⁶

Post year end the company etc. etc.

Research and Development³⁷ (If applicable)

The company was engaged in research and development activities in the development of patents, the cost incurred in the year was €xx,xxxx.

Political donations³⁸ (If applicable)

The company made the following political donations in the current year:

- | | | |
|-----------|---|---------|
| • Party A | - | €xx,xxx |
| • Party B | - | €xx,xxx |
| • Party C | - | €xx,xxx |

Payment of Creditors³⁹ (If applicable)

The directors acknowledge their responsibility for ensuring compliance with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2012. It is the company's policy to agree payment terms with all suppliers and to adhere to those payment terms.

Accounting Records⁴⁰

The Directors acknowledge their responsibilities under Sections 281 to 285 of the Companies Act 2014 to keep adequate accounting records for the company.

In order to comply with the requirements of the act, a full time management accountant is employed. The accounting records of the company are kept at the registered office and principal place of business at Construction Place, Builders Lane, Dunblock, Any County.

³⁶ Disclosure in relation to events after the balance sheet date are only required where there are events affecting the company which have occurred since the year end under S.326(2)(a) of the Companies Act 2014

³⁷ Disclosure in relation to Research and Development Activity is only required if there have been any activities in this area in accordance with S.326(2)(b) of the Companies Act 2014

³⁸ S.326(2)(d) of the Companies Act 2014 -Under Section 17, Electoral (Amendment) (Political Funding) Act 2012 – Disclosure is only required if political donations are in excess of €200 in the year.

³⁹ Disclose if suppliers purport to trade under the terms of the EC (Late Payment in Commercial Transactions) Regulations 2012

⁴⁰ S.326(1)(c) of the Companies Act 2014

OmniPro Sample SORP Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Report

Directors Compliance Statement⁴¹

The directors confirm they are responsible for securing the company's compliance with its relevant obligations under Section 224 of the Companies Act 2014 and confirm:

- that a company compliance statement has been developed (Or if it has not state this fact in addition to stating why it has not); and
- have put in appropriate arrangements and structures that are in the directors' opinion designed to secure compliance with the company's relevant obligations; and
- a review of these procedures has been performed in the current financial year (or where a review has not been performed state that fact and the reasons why it has not been performed).

Statement on Relevant Audit Information⁴²

In accordance with Section 330 of the Companies Act 2014, so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director have taken all the steps he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of the information.

Auditors

In accordance with Section 383 (2) of the Companies Act 2014, the auditors, Compliant Accountant & Co., Registered Auditors / Statutory Auditors / Statutory Audit Firm, Accountants Row, Any County will continue in office.

On behalf of the board⁴³

Mr A Director
Director

Ms B Director
Director

DATE: _____

Additional information to be considered for disclosure if applicable

- S.326(2)(c) of CA 2014 – An indication of the existence of branches of the company outside the state and the country in which they are located.
- S.326(3) Companies Act 2014 – Only required where material for an assessment of the companies financial position and the use of financial instruments
- S.123 of Charities SORP – Where there are going concern uncertainties this must be disclosed giving details of the uncertainty

⁴¹ S.225, CA 2014 – A directors compliance statement is only required where the company's total assets exceeds €12.5m and turnover exceeds €25m. This is only required to be included for period beginning on or after 1 June 2017.

⁴² S.330 of the Companies Act 2014 only applies to financial statements for periods commencing on or after the 1st of June 2017

⁴³ S.1.8 of Charities SORP – state the date the directors/trustees report was signed by the trustees and which trustees signed the report.

- S.124 of Charities SORP – If a fund is materially in deficit this must be stated (whether that be for the group or any subsidiary undertaking) and an explanation provided as to how it arose and the steps taken to rectify this.
- S1.26 of Charities SORP – Where a charity has any corporate trustees, the name of the trustees of the corporate body at the year end date must be disclosed.
- S1.51 of Charities SORP for large charities requires the arrangements for setting pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting the pay. Also require how decisions are made and what decisions are delegated by the trustees.

OmniPro Sample Charity Company Limited by Guarantee

Year Ended 31 December 2017

Directors'/Trustees' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations.

Irish Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and accounting standards issued by the Financial Reporting Council [and promulgated by Chartered Accountants Ireland⁴⁴] including FRS 102 The Financial Reporting Standard applicable in the UK and Ireland (Generally Accepted Accounting Practice in Ireland) as modified by the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as to the financial year end and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business⁴⁵.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions⁴⁶.

On behalf of the board⁴⁷

Mr A Director
Director

Ms B Director
Director

DATE: _____

⁴⁴ Deemed best practice for firm's regulated by Chartered Accountants Ireland

⁴⁵ Include where no separate statement on going concern is made by the directors

⁴⁶ Include only if accounts are available on the company website

⁴⁷ Type signed signatures permissible if the abridged financial statements are certified for submission to CRO

Independent Auditors Report to the Members of OmniPro SORP Sample Charity Company Limited by Guarantee for the year ended 31 December 2017 ⁴⁸

Opinion

We have audited the financial statements of OmniPro Sample Charity Co Limited (the 'company') for the year ended 31 December 2017 which comprise Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Equity⁴⁹ and notes to the financial statements, including a summary of significant accounting policies set out in note [x]⁵⁰. The financial reporting framework that has been applied in their preparation is applicable Irish law and Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* as modified by the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015.

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard as issued by the Irish Auditing and Accounting Service Authority ("IAASA") Ethical Standard [, and the provisions available for small entities, in the circumstances set out in note [X]⁵¹ to the financial statements]⁵², and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs require us to report where the directors have used the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the [company or charity]'s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

⁴⁸ The FRC have not updated Bulletin 1(I) at the time of publication so this may be subject to change

⁴⁹ The terms used to describe the primary financial statements should be the same specific names as those used by the directors as required by ISA 700.

⁵⁰ ISA 700 requires a cross reference to the notes to the accounts and specifically significant accounting policies

⁵¹ As described in paragraph A35-4 of ISA 700 (Revised June 2016), IAASA's Ethical Standard Section 6 Provisions available for audits of small entities, paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the Ethical Standard.

⁵² Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the IAASA's Ethical Standard are not utilised.

Independent Auditors Report to the Members of OmniPro SORP Sample Charity Company Limited by Guarantee for the year ended 31 December 2017 (continued)

Other information⁵³

The other information comprises the information included in the annual report⁵⁴, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- we have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited⁵⁵;
- the financial statements are in agreement with the accounting records;
- the information given in the Director's/Trustees Report is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Responsibilities of directors/trustees for the financial statements

As explained more fully in the Directors'/Trustees' Responsibilities Statement set out on page 3, the directors/trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors/trustees are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

⁵³ "Other Information" must be included in an audit report in Ireland under ISA 720 P21.

⁵⁴ The term used to describe the annual report should be the same as that used by the directors.

⁵⁵ Where the company has material branches, this notation can be expanded by including "and information and returns adequate for our audit have been received from branches of the company not visited by us."

Independent Auditors Report to the Members of OmniPro SORP Sample Charity Company Limited by Guarantee for the year ended 31 December 2017 (continued)

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our audit report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members as a body in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in the audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company or the company’s members as a body for our audit work, for this report, or for the opinions we have formed.⁵⁶

Signed by:

Personal name of auditor

Date: _____

For and on behalf of:

Compliant Accountant & Co⁵⁷

Chartered	ACCA	CPA
Chartered Accountants & Registered Auditors/Statutory Audit Firm, Accountants Row, Any County	Chartered Certified Accountants & Statutory Auditors/Statutory Auditor, Accountants Row, Any County	Certified Public Accountants & Statutory Audit Firm, Accountants Row, Any County

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⁵⁶ Paragraph included as best practice

⁵⁷ The firm name must reflect the name of the firm as it appears on the public register of the Registrar of Companies

⁵⁸ The firm name must reflect the name of the firm as it appears on the public register of the Registrar of Companies

		Unrestricted	Restricted	2017⁶⁰	Restated⁵⁹
	Notes	Funds	Funds	€'000	2016
				€'000	€'000
Income from⁶¹:	4				
Donations and legacies ⁶²	5	3,000	-	3,000	2,400
Charitable activities	6	1,150	150	1,300	1,500
Other trading activities	8	125	-	125	105
Investments ⁶³	9	1	-	1	2
Other income ⁶⁴ (for illustrative purposes)	10	-	-	-	-
Total income		4,276	150	4,426	4,007
Expenditure on:					
Raising funds	11	552	-	552	1,636
Charitable activities	12	700	50	750	1,275
Other (for illustrative purposes)		-	-	-	-
Total expenditure		1,252	50	1,302	2,910
Net gain on investments ⁶⁵	15	3	-	3	3
Net income	16	3,027	100	3,127	1,100
Transfer between funds⁶⁶		-	-	-	-

⁵⁹ In this sample set we have assumed that previously the charity applied the accruals model for grants under FRS 102. However as Charities SORP requires the performance model to be adopted we have assumed there was an adjustment required as a result of the change in accounting policy to recognising grants on the performance model. If previously the company did not apply the accrual model or there was no impact as a result of the change in accounting policy, then the word 'restated' would not be required here.

⁶⁰ If the charity had an endowment fund this should also be shown in a separate column under S.4 Charities SORP.

⁶¹ Sch 3 of CA 2014 as amended by Companies (Accounting) Act 2017 does not require a true and fair override to be invoked as Sch 3 permits the use of any layout where appropriate for the company.

⁶² Donations and legacies include any income received that is a gift given on a voluntary basis. This includes grants of a general nature not conditional on certain levels of volumes or of service or supply of charitable goods. It includes membership subscriptions and sponsorships where they are in substance donations and donated goods and services for the charity's own use.

⁶³ S.4.36 of Charities SORP - income earned from holding investments (interest, dividend, rent) to be included here

⁶⁴ Include items not falling within the headings in bold above, unless it is individually material. Items to include here are gain on disposal of a programme related investments and royalties, transfer of income from endowment funds and gain on disposal of tangible fixed assets

⁶⁵ Include movement in fair value of investments assets and investment property here whether realised or unrealised. Gain on acquisition of another charity or a gift of a subsidiary

⁶⁶ S2.26 of Charities SORP permits transfers where there is a transfer from unrestricted funds to restricted funds to finance a deficit on a restricted fund; where restricted funds have lawfully been released; where trustees have exercised a power to declare a special trust over a gift initially recognised as unrestricted; or to transfer the value of a fixed asset from restricted to unrestricted funds when the asset has been purchased from a restricted fund donation but is held for a general and not a restricted purpose.

**Other recognised gains/
 (losses):**

Gains/(losses) on revaluation of fixed assets ⁶⁷	-	-	-	-
Actuarial gains/(losses) on defined benefit pension schemes ⁶⁸	-	-	-	-
Other gains/ (losses) ⁶⁹	-	-	-	-
Net movement in funds	3,027	100	3,127	1,100

Reconciliation of funds:

Total funds brought forward	3,000	719	3,719	2,669
Total funds carried forward	6,027	819	6,846	3,719

⁶⁷ Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA ⁶⁸
 Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA ⁶⁹
 Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA.
 Include items here where hedge accounting has been applied

Balance Sheet⁷⁰ For the Year ended 31 December 2017

	Notes	2017 €'000	Restated ⁷¹ 2016 €'000
Fixed assets			
Tangible assets	20	4,000	1,500
Heritage assets (for illustrative purpose)		-	-
Investments	21	1,000	996
		5,000	2,496
Current assets			
Stocks (for illustrative purposes)		-	-
Debtors	22	800	1,300
Cash at bank and in hand		1,800	500
		2,600	1,800
Creditors: amounts falling due within one year	23	(754)	(577)
		1,864	1,223
Net current assets			
		6,846	3,719
Total assets less current liabilities			
		6,846	3,719
Creditors: amounts falling due after more than one year	24	-	-
Provision for liabilities	27	-	-
Total net assets		6,846	3,719
The funds of the charity:			
Endowment funds (for illustrative purposes only)	28	-	-
Restricted funds ⁷²	28	819	719
Unrestricted funds	28	6,027	3,000
Revaluation reserve (for illustrative purposes only)	28	-	-
Total charity funds	28	6,846	3,719

⁷⁰ Under Sch 3 of CA 2014 as amended by CAA 2017 there is no longer a requirement to invoke a true and fair view override to lay the balance sheet out in a more meaningful form for charities so long as it meets all requirements of formats in CA 2014.

⁷¹ In this sample set we have assumed that previously the charity applied the accruals model for grants under FRS 102. However as Charities SORP requires the performance model to be adopted we have assumed there was an adjustment required as a result of the change in accounting policy to recognising grants on the performance model. If previously the company did not apply the accrual model or there was no impact as a result of the change in accounting policy, then the word 'restated' would not be required here.

⁷² S10.92 of Charities SORP– If a revaluation is made on a restricted asset, the revaluation reserve should be shown under restricted funds

Balance Sheet⁷³
For the Year ended 31 December 2017

The financial statements were approved by the Board of Directors/Trustees on (insert date) and authorised for on (insert date). They were signed on its behalf by⁷⁴:

Mr A Director/Trustee
Director/Trustee

Ms B Director/Trustee
Director/Trustee

DATE: _____

⁷³Under Sch 3 of CA 2014 as amended by CAA 2017 there is no longer a requirement to invoke a true and fair view override to lay the balance sheet out in a more meaningful form for charities so long as it meets all requirements of formats in CA 2014.

⁷⁴ P32.9 FRS 102 & S10.8 of Charities SORP– A company shall disclose the date when the financial statements were authorized for issue and who gave that authorisation

Statement of Changes in Funds⁷⁵ For the Year ended 31 December 2017

	Unrestricted funds			
	Restricted Funds	Designated Funds	General Funds	Total Funds
	€'000	€'000	€'000	€'000
Balance at 1 January 2016 as previously reported	-	50	1,800	1,850
Prior year adjustment – change in accounting policy (see note 2)	769	-	-	769
Balance at 1 January 2016 as restated	<u>769</u>	<u>50</u>	<u>1,800</u>	<u>2,619</u>
Net income for the year as previously reported	-	400	750	1,150
Prior year adjustment – change in accounting policy (see note 2)	(50)	-	-	(50)
Net (expenditure)/income for the year as restated	<u>(50)</u>	<u>400</u>	<u>750</u>	<u>1,100</u>
Balance at 31 December 2016	<u>719</u>	<u>450</u>	<u>2,550</u>	<u>3,719</u>
Balance at 1 January 2017	719	450	2,550	3,719
Net income for the year	100	1000	2,027	3,127
Transfer between funds (for illustrative purposes)	-	-	-	-
Gains/(losses) on revaluation (for illustrative purposes)	-	-	-	-
Actuarial gain/(loss) on defined benefit scheme (for illustrative purposes)	-	-	-	-
Balance at 31 December 2017	<u>819</u>	<u>1450</u>	<u>4,577</u>	<u>6,846</u>

⁷⁵ Not specifically required under the SORP if the entity has no share capital

Statement of Cashflows⁷⁶ For the Year ended 31 December 2017

	Notes	31-Dec 2017 €'000	31-Dec 2016 €'000
Net cash flows from operating activities	32	3,913	388
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(2,610)	(100)
Proceeds from sale of investments (For illustrative purposes)		-	-
Proceeds from sale of tangible fixed assets (For illustrative purposes)		-	-
Dividend received from investments (For illustrative purposes)		-	-
Rent received from investments (For illustrative purposes)		-	-
Interest received from investments		1	2
Payments to acquire investments		(4)	-
Net cash flows from investing activities		(2,613)	(98)
Cash flows from financing activities			
Movement on bank loans (For illustrative purposes)		-	-
Movement on public benefit concessionary loans (For illustrative purposes)		-	-
Receipt of endowment (For illustrative purposes)		-	-
Interest paid (For illustrative purposes)		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		1,300	290
Cash and cash equivalents at beginning of year		500	210
Cash and cash equivalents at end of year	33	1,800	500

⁷⁶ S14.1 of Charities SORP only requires large charities to present a cash flow statement. Section 312 CA 2014 does not require a cash flow if the requirements for the small companies regime are met.

OmniPro Sample SORP Charity Company Limited by Guarantee

Year ended 31 December 2017

Notes to the Financial Statements

1. ACCOUNTING POLICIES

This is the first set of financial statements prepared by OmniPro SORP Charity Company Limited by Guarantee in accordance with accounting standards issued by the Financial Reporting Council, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) as modified by the Statement of Recommended Practice “Accounting and Reporting by Charities” effective 1 January 2015. Previously the company applied FRS 102 but did not apply the Statement of Recommended Practice “Accounting and Reporting by Charities”. As a result of the adoption of the FRS 102 Charities SORP in the current period a change in accounting policy was required so as to ensure compliance with the Charities SORP. Details of the change in accounting policy and the related adjustments are detailed in note 2 (DELETE IF NOT APPLICABLE)⁷⁷. The charity has applied the Charities SORP on a voluntary basis as its application is not a requirement of the current regulations for charities registered in the Republic of Ireland however it is considered best practice. As noted below, the directors consider the adoption of the SORP requirements as the most appropriate accounting practice and presentation to properly reflect and disclose the activities of the organisation.

Omnipro SORP Charity is a Company Limited by guarantee and is a public benefit entity⁷⁸ incorporated in Ireland with a registered office at XXXX and its company registration number is XXX^{79, 80}.

The significant accounting policies⁸¹ adopted by the Company and applied consistently⁸² are as follows:

(a) Basis of preparation

The Financial Statements are prepared on the going concern basis⁸³, under the historical cost convention, [as modified by the revaluation of certain tangible fixed assets] and comply with the financial reporting standards of the Financial Reporting Council [and promulgated by Chartered Accountants Ireland⁸⁴] as modified by the Statement of Recommended Practice “Accounting and

Reporting by Charities” effective 1 January 2015 and the Companies Act 2014⁸⁵.

Going concern

Given the level of net funds the company holds the directors/trustees consider that there are no material uncertainties about the company’s ability to continue as a going concern OR The financial statements have been prepared on the going concern basis. The validity of this assumption is dependent on achieving sufficient operating cash flows for the future years. The company’s principal funder, XXX has not given any indication that it will withdraw its financial support from the company in the foreseeable future. The directors are satisfied that in view of the expected continued financial support from its principal funder the company has the necessary resources to continue trading for the foreseeable future⁸⁶.

⁷⁷ Delete if there is no adjustment required

⁷⁸ Statement that the charity is a public benefit entity is required under Section 3.40 of Charities SORP

⁷⁹ S.17 of CAA 2017 amends S.291-S.295 of CA 2014 and requires the disclosure of the registered office in additions to Section 1A requiring such disclosure. These also requires disclosure of the legal form and the principal place of business and registered office.

⁸⁰ If the company is a public benefit entity then section 1AD.1(c) appendix D of Section 1A encourages this fact to be disclosed.

⁸¹ Changes in accounting policies must be identified and recorded in accordance with FRS 102, section 10⁸² Para 13, Sch III, CA 2014 – Accounting policies shall be applied consistently from one period to another

⁸³ Para 12, Sch III, CA 2014 – A company is deemed to be carrying on business as going concern. If they are not then this fact should be disclosed here.

⁸⁴ Deemed best practice for firm’s regulated by Chartered Accountants Ireland

⁸⁵ Statement that the charity is a public benefit entity is required under Section 3.40 of Charities SORP⁸⁶Sch 3(3)(6) of CA 2014 as amended by CAA 2017 no longer requires the true and fair override to be invoked to adopt an income and expenditure format and charity balance sheet format as long as it provides the information required by the formats in Sch 3.

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

OR

The trust reported a net outflow of €XXX in the year. At the year end the company had negative unrestricted funds of €XXXX. The financial statements have been prepared on a going concern basis. The validity of this assumption is dependent on the anticipated maintenance of support by the Company's bankers through the maintenance of existing borrowings together with ongoing interest roll-up, a return to profitability and the continued donations from the general public. The trustees remain in regular contact with the sponsoring local authorities to secure on-going financial support and has obtained further grants from XX since the year end. In addition the Charity are taking the following actions to address this deficit:

- Cutting non-essential expenses
- Closing our XX office
- Renting out the spare office space in the premises.

If the charity was unable to continue in operational existence, adjustments would have to be made to adjust the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The directors have considered the financial position and trading performance of the charity, together with the anticipated support from the company's bankers and the general public. They are satisfied that the company will return to profitability in the year to 31 December 2016. As a result, while recognising that there is uncertainty about these matters at present, the directors are satisfied that the company has the necessary resources to continue trading for the foreseeable future and accordingly they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

The financial statements are prepared in Euro which is the functional currency of the company.

(b) Income

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income, the amount can be quantified with reasonable accuracy and it is probable the income will be received. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants, donations and gifts and is included in full in the Statement of Financial Activities when receivable.
- Income from government and other grants, whether 'capital' or 'revenue grants', is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity is recognised within income from donations and legacies. Grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance and included within income from charitable activities.
- Donated services and facilities are included at the fair value to the charity where this can be quantified. Donations in kind are included at their estimated value to the foundation in both revenue and expenditure in the year of receipt. Donated facilities are included as both income and expenses at the value to the charity where this can be quantified and a third

S3.38 of SORP requires where there are material uncertainties with regard to going concern then an entity should disclose an explanation as to those factors that support the conclusion that it can continue as a going concern AND clear disclosure of any uncertainties that makes the going concern doubtful OR if not prepared on a going concern this fact must be disclosed.

party is bearing the cost. Where it is not practicable to measure the value of the resource with sufficient reliability the income is included in the financial period when the resource is sold. An asset is recognised only when those services are used for the production of an asset and the services received will be capitalised as part of the cost of an asset. Where it cannot be quantified the value is recognised when sold. The value of services provided by volunteers has not been included in these accounts. Resources received from non-exchange transactions for which the entity has benefited include:

- Volunteer services
- Charity shop stock (add as appropriate)
- Legacy income is recognised at the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the company that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.
- Investment income is included when receivable.
- Incoming resources from charitable trading activities are accounted for when earned which is usually when the risk and rewards of ownership transfers; the sale can be reliably measured and it is probable there will be future inflows of economic activity.

(c) Expenditure

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates:

- Costs of raising funds comprise the costs associated with attracting voluntary income, investment management costs and the costs of trading for fundraising purposes including the charity's shop.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees, costs of legal advice for trustees and costs linked to the strategic management of the charity including the cost of trustee meetings.
- Expenditure in the form of grants to local partners and beneficiaries is recognised as part of the costs of charitable activities.
- All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis e.g. floor areas, per capita or estimated usage as set out in Note 13.

(ci) Tangible fixed assets [If Required]

(i) Cost

Tangible fixed assets are recorded at historical cost or deemed cost, less accumulated depreciation (and impairment losses if applicable). Cost includes prime cost, overheads and interest incurred in financing the construction of tangible fixed assets. Capitalisation of interest ceases when the asset is brought into use.

Freehold premises are stated at cost⁸⁷ less accumulated depreciation and accumulated impairment losses

OR

⁸⁷ Para 20, Sch III, CA 2014 – Fixed assets shall be recorded at its purchase price or production cost

The company's property, plant and equipment is deemed to be held for its service potential. Where there are indicators that the assets are not delivering on their anticipated service potential, consideration is given as to whether the asset is impaired or not. Accordingly, an impairment of these fixed assets will only arise where the asset suffers impairment in a physical sense resulting in physical damage or the assets are not delivering on their anticipated service potential.

Equipment and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Depreciation*

Depreciation is provided on property, plant and equipment, on a straight-line basis, so as to write off their cost less residual amounts over their estimated useful economic lives.

The estimated useful economic lives assigned to property, plant and equipment are as follows:

Freehold Premises	2% straight line on cost
Motor vehicles	25% straight line
cost Office Equipment, fixtures & fittings	on 12½% straight line
cost	on
Computer equipment	25%/33⅓% straight line on cost

The company's policy is to review the remaining useful economic lives and residual values of property, plant and equipment on an on-going basis and to adjust the depreciation charge to reflect the remaining estimated useful economic life and residual value.

Fully depreciated property, plant & equipment are retained in the cost of property, plant & equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the SOFA.

(iii) *Impairment (Not applicable if the assets are held for service potential accounting policy has been adopted above)*

Assets not carried at fair value are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in SOFA.

If an impairment loss is subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the SOFA.

(e) Leases [If Required]

(i) Finance leases

Leases in which substantially all the risks and rewards of ownership are transferred by the lessor are classified as finance leases.

Tangible fixed assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments and are depreciated over the shorter of the lease term and their useful lives. The capital element of the lease obligation is recorded as a liability and the interest element of the finance lease rentals is charged to the statement of financial activity on an annuity basis.

Each lease payment is apportioned between the liability and finance charges using the effective interest method.

(ii) Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of financial activity on a straight-line basis over the period of the lease.

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of future minimum lease payments. Incentives received to enter into an operating lease are credited to the statement of financial activity, to reduce the lease expense, on a straight-line basis over the period of the lease.

(f) Currency

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of financial activity within 'costs of charitable activities'. All other foreign exchange gains and losses are presented in the statement of financial activity within 'expenditure on charitable activities'.

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

(g) Taxation

No charge to current or deferred taxation arises as the charity has been granted charitable status under Sections 207 and 208 of the Taxes Consolidation Act 1997, Charity No CHY 12345. The charity is eligible under the "Scheme of Tax Relief for Donations to Eligible Charities and Approved Bodies under Section 848A Taxes Consolidation Act, 1997" therefore income tax refunds arising from sponsorships exceeding €250 per annum are included in unrestricted funds. Irrecoverable value added tax is expensed as incurred.

(h) Retirement Benefits⁸⁸ [If Required]

Retirement benefits are met by payments to a defined contribution pension fund. Contributions are charged to the profit and loss in the year in which they fall due. The assets are held separately from those of the company in an independently administered fund. Differences between the amounts charged in the statement of financial activity and payments made to pension funds are treated as assets or liabilities.

(i) Stocks [If Required]

Stocks comprise consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Where stock is received in a non-exchange transaction, stock is valued at the fair value of the stock received that being the price the entity would have to pay if that stock were purchased on an open market basis. Cost is calculated on a first in, first out basis and includes invoice price, import duties and transportation costs. Net realisable value comprises the actual or estimated selling price less all further costs to completion or to be incurred in marketing, selling and distribution. If goods are held to be distributed freely or for nominal consideration then the carrying amount is adjusted for any loss in service potential.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of financial activity. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of financial activity.

(j) Interest Receivable [If Required]

Interest received on the company's investments are recorded as income in the year in which they are earned under the effective interest rate method.

(k) Trade and other debtors [If Required]

Trade and other debtors including amounts owed to group companies are recognised initially at transaction price (including transaction costs) unless a financing arrangement exists in which case they are measured at the present value of future receipts discounted at a market rate with the exception of public benefit entity concessionary loans (EXCLUDE IF THIS IS NOT APPLICABLE). Subsequently these are measured at amortised cost less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. All movements in the level of provision required are recognised in the statement of financial activity.

Significant specific accounting policies not identified above should be tailored and adopted as appropriate

⁸⁸ This policy relates to a defined contribution scheme, an expanded policy would be required for a defined benefit scheme

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

(l) Public benefit concessionary loans – programme related assets [If Required]

Public benefit concessionary loans are initially measured at the amount received or paid in the balance sheet and subsequently adjusted to reflect any accrued interest payable or receivable and repayments made/received. Public benefit entity concessionary loans are loans made or received between a public benefit entity and another party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the public benefit entity. To the extent that a loan that has been made is irrevocable, an impairment loss shall be recognised in the statement of financial activities within the expenditure on charitable activities cost.

(m) Other financial assets [If Required]

Other financial assets include investments (including listed shares) which are not investments in subsidiaries, associates or joint ventures. Investments are initially measured at fair value which usually equates to the transaction price and subsequently at fair value where investments are listed on an active market or where non listed investments can be reliably measured. Movements in fair value are measured in the statement of financial activities.

When fair value cannot be measured reliably or can no longer be measured reliably, investments are measured at cost less impairment.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(o) Trade and other creditors [If Required]

Trade and other creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(p) Provisions⁸⁹

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost within expenditure on charitable activities.

(q) Fund Accounting [If Required]

The following funds are operated by the Charity

Significant specific accounting policies not identified above should be tailored and adopted as appropriate

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

Restricted Funds

Restricted Funds represent grants, donations and sponsorships received which can only be used for particular purposes specified by the donors or sponsorship programmes binding on the directors/trustees. Such purposes are within the overall aims of the charity.

Unrestricted Funds

Unrestricted Funds includes general funds and designated funds and it represent amounts which are expendable at the discretion of the Directors/Trustees in furtherance of the objectives of the charity and which have not been designated for other purposes. Such funds may be held in order to finance working capital or capital expenditure.

Designated Funds

Designated funds are unrestricted funds earmarked by the Directors/Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements. The designations have an administrative purpose only and do not legally restrict the Board's discretion in applying the funds.

Endowment Funds

Endowment Funds represent those assets which must be held permanently by the charity, principally investments. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income.

(r) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(s) Employee Benefits ⁹⁰ [If Required]

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate fund. Under defined contribution plans, the company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to privately administered pension plans on a contractual or voluntary basis. The company has no further payment

Para 19, Sch III, CA 2014 – If there are special reasons for departing from any of the stated accounting policies the company shall note the reasons for departure and the effect on the balance sheet and profit and loss in that year

⁹⁰ This policy relates to a defined contribution scheme, an expanded policy would be required for a defined benefit scheme

obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Investment properties

The charity owns a number of freehold office buildings that are held to earn long term rental income and for capital appreciation. Investment properties are initially recognised at cost. Investment properties are carried at fair value. Changes in fair value are recognised in the statement of financial activity within 'net gain/loss on investments'.

(u) Programme related investments

Programme related investments are made in furtherance of the charity's objects and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost where a loan is provided. Where the programme related investment (which is an interest which does not give significant influence) is in ordinary or preference shares, the investment is carried at its fair value where it can be reliably measured and if not at cost less impairment.

Any loss or impairment arising on such loan is charged as part of charitable activities within the statement of financial activities.

(v) Intangible Assets

Acquired intangible assets are capitalised at cost and are amortised using the straight-line basis over their useful lives up to a maximum of XX years.

Intangible assets acquired as part of a business acquisition are capitalised separately from goodwill if the fair value can be measured reliably. Internally generated intangible assets are only recognised where they have a readily ascertainable market value.

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(w) Prior period adjustment – Change in accounting policy⁹¹

DISCLOSE CHANGE IN ACCOUNTING POLICY

(x) Change in accounting estimate⁹² DISCLOSE AS REQUIRED

Para 19, Sch 3A, CA 2014 as amended by CAA 2017 – If there are special reasons for departing from any of the stated accounting policies the company shall note the reasons for departure and the effect on the balance sheet and profit and loss in that year

⁹¹ S.321 of CA 2014 as amended by S.37 of CAA 2017 requires details of a change in accounting policy to be included in the accounting policy section of the financial statements detailing the reason for the change for it and the impact of the change on the current and prior years.

⁹² Sch 3A(19) requires disclosure change in accounting estimate/measurement basis to be disclosed, the reason for the change, and its effect on the balance sheet and P&L of the company to be stated in a note

2. PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING POLICY (IF APPLICABLE)

Previously the company applied FRS 102 as its accounting framework but did not apply the Statement of Recommended Practice “Accounting and Reporting by Charities” effective 1 January 2015. As a result of adopting the Charities SORP (FRS 102) in the current period a change in accounting policy was required so as to ensure compliance with the Charities SORP FRS 102.

Under FRS 102 the company adopted an accounting policy to recognise all grants on an accruals basis as opposed to on a performance basis. However, under the FRS 102 Charities SORP all grants including capital grants should be recognised as income in the SOFA on a performance basis (i.e. when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably). Given that the Charities SORP (FRS 102) represents best practice for all charities as it seeks to provide information relevant to the understanding of the directors and the performance and financial position of the Charity the directors believe the change in accounting policy is required.

As a result of the change in accounting policy from the accruals basis to the performance basis it has resulted in:

- the amount previously recognised as deferred income on the balance sheet at 31 December 2016 and 2013 of €719,000 and €769,000 respectively being released to a restricted fund within charity’s funds where the grant was given for a specific purpose **OR** to a general fund where the grants were not required to be applied for a specific purpose. The reason for this is that this €719,000 and €769,000 respectively would previously have been recognised in the SOFA had the performance model been applied from inception. If the performance basis had of being applied from inception this income would have been released to the SOFA in the years 201X, (€XXX) and 201X (€XXX) respectively.
- the amortisation credited/recognised in income **OR** in expenses in the year ended 31 December 2016 of €50,000 on capital grants accounted for under the accruals model being reversed.
- the depreciation of €XXXX on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA from the unrestricted fund.
- the recognition of additional income in the SOFA of €XXX with regard to grants received for capital purposes where the conditions of the grant were complied with which was recognised as deferred income on the balance sheet under the accruals model previously **(for illustrative purposes)**.

The impact of applying the performance model as opposed to the accruals model for the current year is that:

- additional income of €100,000 has been recognised in the SOFA with regard to capital grants received where the performance conditions have been met which previously would have been deferred and included in deferred income under the accruals model; and
- the amount recognised in expenditure on charitable activities would have been €55,000 lower for the amortisation that would have been released on the capital grants under the accruals model.
- there would be no requirement to show the depreciation on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA.

Below is the analysis of the adjustments to the SOFA and the balance sheet in the comparative year:

BALANCE SHEET	As previously stated 2016 €'000	Prior year Adjustment €'000	As Restated 2016 €'000
Fixed assets			
Tangible assets	1,500	-	1,500
Investments	996	-	996
	2,496	-	2,496
Current assets			
Stocks	-	-	-
Debtors	1,300	-	1,300
Cash at bank and in hand	500	-	500
	1,800	-	1,800
Creditors: amounts falling due within one year	(577)	-	(577)
Net current assets	1,223	-	1,223
Total assets less current liabilities	3,719	-	3,719
Capital grants	(719)	719	-
Provision for liabilities	-	-	-
Total net assets	3,000	719	3,719
The funds of the charity:			
Restricted funds	-	719	719
Unrestricted funds	3,000	-	3,000
Total charity funds	3,000	719	3,719

STATEMENT OF FINANCIAL ACTIVITIES

	As previously stated 2016 €'000	Prior year Adjustment €'000	As Restated 2016 €'000
Income from:			
Donations and legacies	2,400	-	2,400
Charitable activities	1,500	-	1,500
Other trading activities	105	-	105
Investments	2	-	2
Other income	-	-	-
Total income	4,007	-	4,007
Expenditure on:			
Raising funds	1,636	-	1,636
Charitable activities	1,225	50	1,275
Total expenditure	2,860	50	2,910
Net gain on investments	3	-	3
Net income for financial year	1,150	50	1,100
Transfer between funds	-	-	-
Net movement in funds	1,150	50	1,100
Reconciliation of funds:			
Total funds brought forward	1,850	769	2,669
Total funds carried forward	3,000	-	3,719

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES⁹³

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below⁹⁴.

(a) *Establishing useful economic lives for depreciation purposes of property, plant and equipment*

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these asset useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation and amortisation charges for the period. Detail of the useful economic lives is included in the accounting policies.

(b) *Providing for doubtful debts*

The company makes an estimate of the recoverable value of trade and other debtors. The company uses estimates based on historical experience in determining the level of debts, which the company believes, will not be collected. These estimates include such factors as the current credit rating of the debtor, the ageing profile of debtors and historical experience. Any significant reduction in the level of customers that default on payments or other significant improvements that resulted in a reduction in the level of bad debt provision would have a positive impact on the operating results. The level of provision required is reviewed on an on-going basis. See note 22 for details of this provision.

(c) **ADD AS APPROPRIATE**

4. INCOME⁹⁵⁹⁶⁹⁷

All income derives from activities in the Republic of Ireland. The analysis of income by activity is detailed in notes 5 to 10.

Required by S3.40 of Charities SORP
Add or delete as appropriate

⁹⁵ FRS 102 requires entities to disclose results for each class of business and geographical segment

⁹⁶ Para 62(1) & (2), Sch III, CA 2014 – Where the company has carried on the business of 2 or more classes, or supplied 2 or more markets, which differ substantially from the other, the company shall state the amount of turnover attributable to that class/market

⁹⁷ Para 62(6), Sch III, CA 2014 – Where in the opinion of the directors, the disclosure of separate information as required would be seriously prejudicial to the interests of the company, that information need not be disclosed. The fact that the information has not been disclosed must be stated

5. INCOME FROM DONATIONS AND LEGACIES⁹⁸

	2017	2016
	€'000	€'000
Sponsorship	400	400
Government grants ⁹⁹ (see note 7)	50	-
Other grants ¹⁰⁰	-	-
Donated services (see (i) below)	50	-
Legacies	-	-
Voluntary Donations	2,500	2,000
	3,000	2,400

In 2017 €XX (2016: €XXX) of incoming resources from donations and legacies were restricted.

(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)

(i) The charity is grateful to Mr X for the provision of his counselling services (or plumbing services or the provision of his premises that allows the charity to provide the services to the members etc.) during the year at no charge. The value of these services was estimated at €50,000 (2016:€Nil) and has been recognised within incoming resources as a donation and an equivalent charge included within professional fees **OR** The saved rent cost as a result of the provision of this premises rent free was estimated at €50,000 (2016:€Nil) and has been recognised within incoming resources as a donation and an equivalent charge included within rental expenses.

6. INCOMING FROM CHARITABLE ACTIVITIES

	2017	2016
	€'000	€'000
Advice & information	-	-
Membership fees	900	1,000
Shop Income ¹⁰¹ (for illustrative purposes)	50	200
Performance related grants from government (see note 7) ¹⁰²	150	-
Sale of own produced goods by beneficiaries (for illustrative purposes)	-	-
Counselling	200	300
Other performance related grants (for illustrative purposes)	-	-
	1,300	1,500

In 2017 €150,000 (2016: €100,000) of incoming resources from charitable activities were restricted.

(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)

⁹⁸ Expand as required as split to be shown for each type.

⁹⁹ Only include grants received of a general nature provided by government and charitable foundations which are not conditional on delivering certain levels or volumes of service or supply of charitable goods – S4.32 of SORP. This figure should be split by government organisation is applicable.

¹⁰⁰ Only include grants received of a general nature provided by government and charitable foundations which are not conditional on delivering certain levels or volumes of service or supply of charitable goods – S4.32 of SORP. This figure should be split by government organisation is applicable.

¹⁰¹ Include within this heading if the shop income is the primary purpose trade

¹⁰² S5.58 of Charities SORP requires disclosure of the nature and amounts of government grants recognised in the accounts, any unfulfilled conditions attaching to the grant and an indication of any other form of government assistance the charity has directly benefited from

7. GOVERNMENT GRANTS¹⁰³

Income from government grants comprise

- Performance related grants made by XX government agency to fund the provision of specific charity services to the youths in the community. The amount of such grants received in the year amounted to €XXX (2016: €XXX).
- Capital grants towards the cost of construction and upgrading of the charities premises. The total amount of these grants recognised in the year was €XX (€XX).
- Non-performance related grants to fund the provision of general charity services to the youths in the community. The amount of such grants received in the year amounted to €50,000 (2016: €nil).

See the split of the government grants by department below:

Name of grant agency	Type of grant	Restricted	Performance conditions	2017	2016
				€'000	€'000
XX County Council	XXXX	No	XXX	160	-
HSE etc. etc.	XXXX	No	XXX	40	-
				200	-

All grants and income from the government where performance conditions were attached were classified within income from charitable activities in the statement of financial activity. Total grants where performance conditions were imposed was €150,000 (2016:€XX). Where the grants have no performance conditions they are classified within income from donations and legacies. The total amount of government grants receivable in the year where no performance conditions were attached was €50,000 (2016: €XXX). The total amount of restricted income from grants in the year was €XXX (2016: €XXX).

8. OTHER TRADING ACTIVITIES

	2017	2016
	€'000	€'000
Shop Income ¹⁰⁴	100	90
Income from non-charitable activities (for illustrative purposes)	-	-
Membership, subscriptions and sponsorship ¹⁰⁵ (for illustrative purposes)	-	-
Income from fundraising events (for illustrative purposes)	-	-
Income from fundraising events ¹⁰⁶	-	-
Income from social lotteries (for illustrative purposes)	-	-
Merchandising income	25	15
	125	105

In 2017 €Nil (2016: €Nil) of investment income was restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

¹⁰³ S5.58 of Charities SORP requires disclosure of the nature and amounts of government grants recognised in the accounts, any unfulfilled conditions attaching to the grant and an indication of any other form of government assistance the charity has directly benefited from

¹⁰⁴ Include within other trading activities if this is not the charity's primary purpose trade. If donated goods are recognised as stock on balance sheet on receipt the release of stock on balance sheet should be netted against the income in this line item

¹⁰⁵ Included here if the charity has to provide something in return for it and it is not from beneficiaries.

¹⁰⁶ Included here if it relates to jumble sales, firework displays and concerts.

9. INVESTMENT INCOME

	2017 €'000	2016 €'000
Interest receivable	1	2
Dividend income from listed investments (for illustrative purposes)	-	-
Dividend income from unlisted investments ¹⁰⁷ (for illustrative purposes)	-	-
Rent receivable (for illustrative purposes)	-	-
	<hr/>	<hr/>
	-	-

In 2017 €Nil (2016: €Nil) of investment income was restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

10. OTHER INCOME (INCLUDED FOR ILLUSTRATIVE PURPOSES)

	2017 €'000	2016 €'000
Royalty receivable	-	-
Gain on disposal of tangible fixed asset held for own use	-	-
Gain on disposal of programme related investment	-	-
Royalties (for illustrative purposes)	-	-
Transfer of income from endowment funds (for illustrative purposes)	-	-
Income from programme related assets	-	-
	<hr/>	<hr/>
	-	-

In 2017 €Nil (2016: €Nil) of other income was restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

11. COSTS OF RAISING FUNDS¹⁰⁸¹⁰⁹

	2017 €'000	2016 €'000
Campaigns		
Advertising	XXX	XXX
Marketing, fundraising and publicity costs	XXX	XXX
Staff costs	XXX	XXX
Property repairs and maintenance costs	XXX	XXX
Cost of operating membership fees	XXX	XXX
Support costs (note 13)	25	30
Investment management costs	XXX	XXX
	<hr/>	<hr/>
	552	1,636

In 2017 €XXXX (2016: €Nil) of the cost of raising funds were restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

¹⁰⁷ Sch 3(60) of Companies Act 2014 requires the split to be shown between listed and unlisted investment income.

¹⁰⁸ If the charity is selling donated goods or bought in goods the costs of this charity shop should be included within costs of raising funds

¹⁰⁹ S8.11 of Charities SORP makes it clear that costs of publicity or fundraising activity which are incurred in order to achieve an educational purpose should not be included within 'Costs of Raising Funds'. Anything other than these costs should be included within 'Costs of Raising Funds'. It will be seen as being for educational purposes where it is targeted at beneficiaries or others who can use the information to further charity's purposes; be information on which the recipient can act in an informed manner to further charity's activities; or be related to other educational activities or objectives of the charity.

12. EXPENDITURE ON CHARITABLE ACTIVITIES¹¹⁰

	Charity Shop	Grants	Advice and Information	Membership	Counselling	2017 Total
	€'000	€'000	€'000	€'000	€'000	€'000
Costs directly allocated to activities						
Staff costs	100	-	2	3	60	474
Café supplies	50	-	-	-	-	50
Recruitment	5	-	-	-	-	5
Volunteer expenses	-	1	-	-	10	10
Support costs (see note 13)	20	5	5	5	32	67
Depreciation						
Governance costs (see note 13)	5	-	-	-	95	100
Grant Costs	5	1	-	1	42	49
	-	150	-	-	-	150
Total	XX	XX	XX	XX	XX	750
Total 2016	XX	XX	XX	XX	XX	1,275

In 2017 €XXX (2016: €XXX) of costs arising from charitable activities were restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

OR USE THE BELOW FORMAT

The table below analysis's direct and support costs. Direct costs are the delivery cost of an activity. Support costs and governance costs are analysed in note 13.

	Direct €'000	Support €'000	2017 €'000	2016 €'000
Charity shop				
Grants				
Grants to partners				
Advice and information				
Membership				
Counselling	XX	XX	750	1,275

In 2017 €50,000 (2016: €50,000) of costs arising from charitable activities were restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

¹¹⁰ S.8.13 and 8.14 of Charities SORP requires the expenditure to be analysed out by activity and by class and the basis of allocation. Add columns as appropriate.

13. SUPPORT COSTS¹¹¹

Where support costs are attributable to a particular activity the costs are allocated to that activity. Where support costs are incurred to further more than one activity, they are apportioned between the relevant activities based on the below measures:

	Basis of allocation	Charity Shop	Grants	Advice and Information	Membership	Counselling	Governance	Cost of raising funds	2017 Total
Costs	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General office and finance staff	Staff time	8	2	2	1	-	2	20	XX
Communications	Staff Time	4	-	-	-	-	-	-	5
Consultancy	Usage	-	1	-	-	25	-	5	25
Legal	Governance	-	-	-	-	-	-	-	-
Other professional	Usage	-	-	-	-	-	5	-	5
Depreciation	Usage	5	-	-	-	5	-	-	-
Audit fees	Governance	-	-	-	-	-	10	-	10
Trustee meeting expenses	Governance	-	-	-	-	-	2	-	2
Accountancy fees	Governance	-	-	-	-	-	10	-	10
Annual report	Governance	-	-	-	-	-	2	-	2
General office costs	Floor area	1	2	2	3	1	3	-	17
Technology costs	Usage	1	1	1	1	1	1	-	10
Bank Charges	Transactions	1	-	-	-	-	-	-	49
Total		20	5	5	5	32	49	25	141
Total 2016		XX	XX	XX	XX	XX	XX	XX	XX

¹¹¹ S.8.13 and 8.14 of Charities SORP requires the expenditure to be analysed out by activity and by class and the basis of allocation. Add columns as appropriate. Support costs are defined as costs of central and regional support functions that are shared across more than one activity undertaken by the charity (e.g. payroll administration, governance costs, purchasing, budgeting and accounting, information technology, human resources, building management services and finance. Examples of how these costs can be apportioned to each activity is on the basis of: usage of a resource or activity in terms of time taken, capacity used, requests made or other measures; per capita, based on the number of people employed within an activity; floor area occupied by the activities; and time where staff duties span more than one activity

14. ANALYSIS OF GRANTS GIVEN¹¹²

Details	Activities undertaken directly €'000	Grants to institutions €'000	Grants to Individuals €'000	Support Cost ¹¹³ €'000	Total €'000
2017					
Financial Hardship Grant	-	-	XXX	XXX	XXX
Educational bursary	-	-	XXX	XXX	XXX
Medical Research and development grant	-	XXX	-	XXX	XXX
Total 2017	-	XX	150	5	155
Total 2016	-	XX	XX	XX	-

During the year the charity advanced material grants to 2 institutions:¹¹⁴¹¹⁵¹¹⁶

Institution	Financial hardship Grant 2017 €'000	Research & Development Grant 2017 €'000	Total 2017 €'000
XXX Limited	20	50	70
XXX Limited	30	40	70
Other Grants	40	20	60
Total	20	110	130

¹¹² Required by S16.13 of charities SORP – provide details of grants given by the charity detailing it by type of activity, nature, total amount and related support costs. Only applicable where the charity provides grants. ¹¹³ S16.9 of charities SORP defines support costs as costs incurred as part of the grant application and decision making process prior to the award, monitoring costs incurred following the award of the grant and support costs incurred relating to grant making activities.

¹¹⁴ A grant to an individual is one for the direct benefit of the individual who receives it. There is no requirement to name the individuals unless they are related parties.

¹¹⁵ Required by S.16.17 of Charity SORP to include number of institutions paid to– expand as appropriate.

¹¹⁶ Required by S16.18 of charities SORP if there are material payments to institutions (not required if grant making is not material to the charity as a whole or if it would be prejudicial to disclose these)

15. NET GAIN ON INVESTMENT ASSETS

	2017 €'000	2016 €'000
Movement on fair value of investment property	3	3
Movement on fair value of investments	-	-
Profit on disposal of investment property/investments (for illustrative purposes only)	-	-
	3	3

In 2017 €XXXX (2016: €Nil) of the cost of raising funds were restricted. **(NOTE IF NO RESTRICTED INCOME THEN NO NEED TO SAY ANYTHING ABOUT RESTRICTED – FOR ILLUSTRATIVE PURPOSES)**

16. OPERATING SURPLUS IS STATED AFTER CHARGING/(CREDITING)

	2017 €'000	2016 €'000
Impairment/reversal of impairment on tangible fixed assets	-	-
Impairment/reversal of impairment on stocks	-	-
(Profit)/loss on disposal of tangible fixed assets	(-)	-
Foreign currency exchange (gain)/loss	(-)	-
(Profit)/loss on disposal of investments	(-)	-
Interest on bank loans and overdrafts ¹¹⁷	-	-
Interest on loans from group undertakings	-	-
Interest on all other loans	-	-
Stock used in the period recognised as an expense (included for illustration purposes only)	-	-
Depreciation	110	-
Rentals payable under operating leases	-	-
Auditors' remuneration ¹¹⁸		
Audit	13,000	13,000
Non audit assurance services	3,000	3,000
Other financial services	-	-
Tax Advisory	3,225	3,225

¹¹⁷ Sch 3(60) of CA 2014 requires interest to be split by interest on bank loans and overdrafts. Interest on group loans and other interest.

¹¹⁸ S.9.23 Charities SORP requires disclose by all charities of all fees for both audit and non-audit services received by the charity in the year. Remuneration includes benefits in kind, reimbursement of expenses and other payments in cash

17. STAFF NUMBERS AND COSTS¹¹⁹

The average number of full time employees in the year was XXX and the average number of part time employees was XX. The full time average equivalent of all employees was as follows:

	2017	2016
Administration	4	4
Management	1	1
Care providers	15	21
	<u>20</u>	<u>26</u>

These numbers include executive directors.

The aggregate payroll costs of these employees were as follows¹²⁰:

	2017 €'000	2016 €'000
Wages & Salaries	545	440
Social Welfare Costs	48	38
Retirement Benefits – defined contribution scheme	18	22
Other compensation costs – redundancy costs (see (i) below)	-	-
Other compensation costs – ex-gratia payments (see (i) below)	-	-
	<u>611</u>	<u>500</u>

No employee received employee benefits excluding employer pension costs of more than €70,000 in the year (2016: Nil).

Included in wages and salaries is an amount of €XXX which was recharged from a related party XXXXX Limited. The employee in question does not have a contract of service with OmniPro SORP Limited by Guarantee but the employees' cost is included in these financial statements in order to recognise the cost of this employee to the company¹²¹.

OR

There were 6 employees (2016:X) whose total employee benefits (excluding employer pension costs) for the year fell within the below categories¹²²:

	2017 Number	2016 Number
€70,000–€80,000	2	2
€80,000–€90,000	2	1
€90,000–€100,000 etc. etc.	2	3
	<u>6</u>	<u>6</u>

¹¹⁹ Staff particulars analysed by function as required by S.317 of CA 2014 and S9.29 of Charities SORP. S9.29 also requires details of average number of full and part-time employees. Note the requirement to disclose staff numbers by function is not required for companies that qualify for small companies regime – that said the Charities SORP requires them – hence it must be disclosed

¹²⁰ S.9.26 Charities SORP requires disclosure by all charities of all fees for payroll costs in the year. Remuneration includes benefits in kind, reimbursement of expenses and other payments in cash. Although not required under S.317 of CA 2014 for companies that qualify for the small companies regime – it must be disclosed as charity SORP requires this for charities regardless of size.

¹²¹ As required by S9.28 of the Charities SORP. It requires disclosure of amounts on any expenditure on staff working for the charity whose contracts are with and are paid by a related party.

¹²² As required by S9.30 of the Charities SORP. It requires disclosure of amounts over €70,000 and requires disclosure of the numbers within the band of each €10,000 after €70,000. **Note certain grant providers required amounts from €60,000 to be included here. So adjust as appropriate.**

(i) During the year the charity made X employees redundant due to the closure of the charities shop in County X at a cost of €XXX. €XXX of this amount relates to a statutory redundancy entitlement and €XXX relates to an ex-gratia payment made. The provision for this redundancy has been included within accruals in note X¹²³¹²⁴.

18. DIRECTORS REMUNERATION AND TRANSACTIONS¹²⁵

No members of the management committee received any remuneration during the year (2016: €XX).

OR

Details of the remuneration paid/payable to the trustees for their services provided to the company as trustees during the year as permitted by the governing document of the charity are as detailed below¹²⁶:

Name of Trustee	2017	2016
	€	€
Mr Trustee X – remuneration	XX	XX
Mr Trustee X – retirement benefits – defined contribution scheme	XX	XX
Mr Trustee Y – remuneration	XX	XX
Mr Trustee Y – retirement benefits – defined contribution scheme	XX	XX
Mr Trustee Y – remuneration	XX	XX
Mr Trustee Y – retirement benefits – defined contribution scheme	XX	XX
	XX	XX

Mr X Trustee was also paid €XXXX which includes pension of €XXX (to a defined contribution pension scheme) in directors remuneration for services provided to the company other than for his service as trustee. **Expand as required where other trustees are paid for services other than for their services as a trustee.**

Travel costs amounting to €4,000 (2016 - €3,500) were reimbursed to 5 (2016: 5) members of the management committee **OR** No trustees were reimbursed expenses in the current year¹²⁷.

No trustee or other person related to the charity had any personal interest in any contract or transaction entered into by the charity during the year (2005 – Nil)¹²⁸.

¹²³ S.9.27 Charities SORP requires disclosure by all charities of details of any redundancy payments made, the accounting policy adopted and any liability for the redundancy included as a liability at the year end.

¹²⁴ S.9.24 & 9.25 Charities SORP requires disclosure by all charities of details of any ex-gratia payments made, state the legal authority or reason for making the payment and state the amount of the payment or value of any payment provided other than by way of cash.

¹²⁵ As required by Section 305 to 312 of CA 2014

¹²⁶ As required by S9.5-9.8 of Charities SORP. Disclosure is also required if the trustee is paid by any related entity of the charity. Disclosure required by trustee split by remuneration, pensions, termination payments, health cover, provision of car

¹²⁷ S9.12 of Charities SORP requires the amount, number of trustees that were paid expenses and the reason for the payment of the expenses. If no expenses are paid this fact must also be disclosed. Expenses include reimbursement or costs paid to third parties (i.e. costs paid by the charity direct to third parties on the trustees behalf e.g. a charity may purchase travel tickets or pay for accommodation used by its trustees when carrying out their duties). Also to disclose the total amount of expenses waived where it is deemed material.

¹²⁸ S9.19 of Charities SORP – if there were no related party transactions then this fact must be disclosed.

19. TAX ON SURPLUS ON ORDINARY ACTIVITIES

No charge to current or deferred taxation arises as the charity has been granted charitable status under Sections 207 and 208 of the Taxes Consolidation Act 1997.

20. TANGIBLE ASSETS¹²⁹

	Land & Buildings €'000	Office Equipment €'000	Motor Vehicles €'000	Computer Equipment €'000	Total €'000
Costs¹³⁰					
At beginning of year	1,500	600	200	200	2,500
Additions in year	2,490	120	-	-	2,610
Disposals in year	-	-	-	-	-
Revaluation	XX	-	-	-	XX
At end of year	3,990	720	200	21	5,110
Depreciation					
At beginning of year	550	300	50	100	1,000
On disposals	-	-	-	-	-
Charge for Year	50	20	30	10	110
Revaluation	(XXX)	-	-	-	-
Impairment	-	XXX	-	-	-
At end of year	600	320	80	110	1,100
Net book value					
At 31 December 2017	3,390	400	120	90	4,000
At 30 December 2016	950	300	150	100	1,500

The following assets were held under finance lease

	Motor Vehicles €'000
Net Book Value 30 December 2017	22
Net Book Value 30 December 2016	25
Depreciation charge for the year	3

Include the below if the revaluation option on fixed assets is chosen (not applicable here included for illustrative purposes only).

[The land and buildings of the company were revalued by [state name], [state qualification] to an open market value basis reflecting existing use [or state alternate basis if appropriate] on [state date] 20XX. The valuation was carried out in accordance with the SCS Appraisal and Valuation Manual. {If the valuer is an officer or employee of the company or a group company this fact must be stated¹³¹}.

¹²⁹ Comparative movements are not required for fixed assets under Sch 3(5) CA 2014 following the deletion of the requirement by CAA 2017

¹³⁰ As required by S10.15 & 10.16 of Charities SORP.

¹³¹ As required by S10.38 of Charities SORP – effective date of valuation, whether an independent valuer was involved, the methods and significant assumptions used, the carrying amount that would have been recognised had the asset been carried under the historical cost model

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. No deferred tax has been recognised on this uplift as the charity is exempt from taxation. The revaluations during the year ended 31 December 2017 resulted in a revaluation surplus of £xx,xxx].¹³²

The historical cost, accumulated depreciation and net book value of the freehold premises is as follows:

	2017	2016
	€	€
Original cost	XXX	XXX
Accumulated depreciation	(XXX)	(XXX)
Net book amount	<u>XXX</u>	<u>XXX</u>

Include the below if the option is capitalise borrowing costs is chosen (not applicable here included for illustrative purposes only).

The company capitalised €XXX (2016: €XXXX) in borrowing costs during the year. The capitalisation rate used was X% (2016: X%).

21. INVESTMENTS¹³³¹³⁴

	2017	2016
	€'000	€'000
Shares in associated undertakings ¹³⁵ - carried at cost less impairment (see (i) below)	XXX	XXX
Other investments – listed investments (see (ii) below)	1,000	996
Social investments – carried at cost less impairment (for illustrative purposes only)	-	-
Investment properties (see (iii) below) - for illustrative purposes only	XXX	XXX
Other investments – carried at cost less impairment	XXX	XXX
	<u>1,000</u>	<u>996</u>

¹³² Details of the historical cost of the asset and accumulated depreciation must be disclosed on revalued assets

¹³³ Comparatives now required for movements in fixed assets (Para 5 Schedule 3 CA 2014)

¹³⁴ S10.53 requires a reconciliation of opening to closing balance for each class of investment. Also required to separate those held at fair value and cost less impairment. Classes of investment include: listed investments, cash and cash equivalents, investment properties, loans to group companies, equity investments in group undertakings, social investment; other investments. Also required by Sch 3 Formats CA 2014.

¹³⁵ S of Charities SORP – if the investment was in a charity, it should be stated as a programme related investment and highlighted as a restricted fund

(i) Shares in associated undertakings

Details of investment in which the company holds 20% of more of the ordinary share capital are as follows^{136 137}

	2017	2016
Cost	€'000	€'000
Shares in group undertakings	XXX	XXX
Shares in associate undertakings	1,000	996
Total	1,000	1,000
Amount provided	XXX	XXX
Additional provision	XX	XX
	XXX	XXX
Closing carrying amount	1,000	996

Company Name	Country of Incorporation¹³⁸	Details of investment¹³⁹	Proportion held by company	Registered Office¹⁴⁰	Principle Activity
Omnipro Ltd	Ireland	254 €1 ordinary shares	25%	Any Address	Manufacture of products

The capital and reserves and profit of the subsidiary/associate was as follows:¹⁴¹

	2017	2016
	€'000	€'000
Profit	500	300
Capital and reserves	6,500	6,000

The company's share of the profit for the year was €XXX (2016: €XXX). If this were to be accounted for as an equity investment, the carrying amount on the balance sheet would be €XXX (2016: €XXX)¹⁴². There were no dividends receivable from this company during the year.

¹³⁶ S.7(2), CA 2014 – The definition of a subsidiary is set out under Section 2 of the Companies Act 2014 ¹³⁷ S.314(1), CA 2014 – Disclose is required of interests in subsidiaries and undertakings of substantial interest (+=20% of any class of equity shares). S28.18 of Charities SORP also requires this.

¹³⁸ If the company is unincorporated, the address of the principal place of business must be included

¹³⁹ S.314(1)(ii) CA 2014 – The identity of each class of share held by the company in each subsidiary of undertaking of substantial interest and the proportion of the nominal value held must be disclosed. This is not required to be disclosed by a company that qualifies for the small companies regime under S.280C of CA 2014

¹⁴⁰ S.314(1)(i) CA 2014 – The name and address of the registered office must be included, if there is no registered office the company must disclose the principal place of business. This is not required to be disclosed by a company that qualifies for the small companies regime under S.280C of CA 2014

¹⁴¹ S.314(1)(iii), CA 2014 – The notes must disclose the aggregate amount of the net assets and profit/loss of the subsidiary or undertaking of substantial interest. This is not required to be disclosed by a company that qualifies for the small companies regime under S.280C of CA 2014

¹⁴² Required by S28.18 of Charities SORP. S28.19 of SORP requires disclosure of any dividend received in the notes.

OR WHERE THE ASSOCIATE IS A CHARITY

The company's share of the income of this associate charity was €XXX (2016: €XXX), its expenditure was €XXX (2016: (€XXX) and its profit for the year was €XXX, (2016: €XXX). This profit is split between the following areas of the associates activities as detailed below (EXPAND AS APPROPRIATE): If this were to be accounted for as an equity investment, the carrying amount on the balance sheet would be €XXX (2016: €XXX) ¹⁴³.

In the opinion of the directors the shares in the company's associate/subsidiary are worth at least the amounts at which they are stated in the balance sheet.

(ii) Other investments - listed investments held at fair value	2017	2016
	€'000	€'000
At beginning of year	996	994
Additions	4	-
Disposals	(3)	(1)
Movement in fair value recognised in the SOFA	3	3
At the end of the year	<u>1,000</u>	<u>996</u>

The fair value of listed investments above at 31 December 2017 was €1,000,000 (2016: €996,000). The fair value movement of €NIL (2016: €2,000) has been recognised within the gain on investment asset in the statement of financial activities/income and expenditure account¹⁴⁴. These shares have been pledged as security on the loan with the bank and can be encashed by the bank in the event of default.

(iii) Other investments - investments held at cost less impairment	2017	2016
	€'000	€'000
At beginning of year	XXX	XXX
Additions	XX	XX
Disposals	-	-
At the end of the year	<u>XXX</u>	<u>XXX</u>

This other investment relates to an investment made by the company in an unlisted entity where less than a significant influence is held. The fair value of this investment cannot be reliably measured in line with the hierarchy in Section 11 of FRS 102, as a result it is held at cost. There are no provisions against this investment at the 31 December 2017 (2016:€:Nil) The cost of the investment at the year ended 31 December 2017 was €XXXX (2016:€XXXXX).

The directors are satisfied that no impairment is required.

¹⁴³ Required by S28.18 of Charities SORP

¹⁴⁴ S11.35 of Charities SORP – required to disclose any financial assets pledged as security

(iii) Investment properties

	2017	2016
	€'000	€'000
Investment property at fair value ¹⁴⁵ at 1 January	XXXXX	XXXX
Additions	-	-
Uplift in fair value recognised in the SOFA (see note (i) below)	XXXXX	XXXXX
Transfer to/(from) tangible fixed assets (*for illustrative purposes only)	-	-
Transfer from Stocks (*for illustrative purposes only)	-	-
Disposal	(XXXX)	-
Investment property at fair value at 31 December	XXXXX	XXXXX

- (i) The land and buildings of the company were valued by [state name], [state qualification] to open market value reflecting existing use [or state alternate basis if appropriate] on [state date] 20XX. The valuation was carried out in accordance with the SCS Appraisal and Valuation Manual. {If the valuer is an officer or employee of the company or a group company this fact must be stated}. XX Valuers has recent experience in the location and asset being valued. The critical assumptions made relating to the valuations are set out below:

	2016	2017
Yields	4%	4%
Inflation rate	2%	2%

22. DEBTORS¹⁴⁶¹⁴⁷

	2017	2016
	€'000	€'000
Trade debtors	100	500
Amounts due on public benefit entity concessionary loans ¹⁴⁸	-	-
Amount receivable from non-exchange transactions ¹⁴⁹	-	-
Legacies	50	-
Other debtors	-	-
Accrued income	-	-
Prepayments	650	800
	800	1,300

¹⁴⁵ S10.46 of Charities SORP requires all investment property to be carried at fair value, it does not permit investment property to be classified as PPE. Hence it cannot claim the exemption from carrying it a cost where it results in either undue cost or effort or where it cannot be reliably measured.

¹⁴⁶ S19.68 of Charities SORP – at a minimum the debtors note must be split between: trade debtors, amounts owed by group undertakings, amounts owed by associated undertakings; prepayments and accrued income; and other debtors Company law requires any type of taxation debtor to be disclosed separately

¹⁴⁷ S19.68 of Charities SORP – where debtors are due after more than one year these should be split out

¹⁴⁸ Public benefit entity loans are required to disclose separately in the notes under Section 34 of FRS 102. (see accounting policy for definition of public benefit entity concessionary loans). The conditions attached to these loans are also required to be disclosed. S21.40 - 21.43 of Charities SORP requires this to be disclosed separately on the face of the balance sheet if it is deemed material enough. Where this loan is given in pursuit of the charity's charitable purpose then this would be classed as a programme related investment here, examples would be loans to other charities which is related to the charitable purpose.

¹⁴⁹ As this is not a financial instrument there is only a need to present value where settlement is delayed.

The fair values of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €XXX (2016: €XXX).

The public benefit entity concessionary loan is interest free and repayable on demand.

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR¹⁵⁰

	2017	2016
	€'000	€'000
Bank loans and overdrafts	-	-
Trade creditors	500	400
Amounts payable on public benefit entity concessionary loans (see note 23) ¹⁵¹	-	-
Deferred income (see note 26) ¹⁵²	-	-
Accruals	200	100
Payments received on account for contracts	-	-
Payments received on account for performance related grants	-	-
Other creditors	-	-
Accruals for grants payable	-	-
PAYE/PRSI ¹⁵³	54	77
	<u>754</u>	<u>577</u>

Trade and other creditors are payable at various dates in the next X months in accordance with the usual suppliers usual and customary terms.¹⁵⁴

Tax and social securities are repayable at various dates over the coming months in line with tax authority guidelines.¹⁵⁵

¹⁵⁰ Creditors to be split out at a minimum as per below. S10.82 of Charities SORP, Sch 3(4)(7) of CA 2014 requires where an asset or liability relates to more than one of the items listed in either of the balance sheet formats, then its relationship to other items shall be disclosed under the item where it is shown or in the notes to the financial statements. In this instance for example finance leases have been shown separately under creditors within one year and creditors greater than one year. The same point applies for bank loan, grants etc.

¹⁵¹ Public benefit entity loans are required to disclose separately in the notes under Section 34 of FRS 102. (see accounting policy for definition of public benefit entity concessionary loans). The conditions attached to these loans are also required to be disclosed. Charities SORP requires this to be disclosed separately on the face of the balance sheet if it is deemed material enough.

¹⁵² Required to be disclosed separately under company law. S5.59 of Charities SORP requires a note to be included detailing why the income is deferred and should analyse the movement of the deferred income account.

¹⁵³ Company law requires tax by type to be split out separately whether it be a debtor or a creditor. If this is an unincorporated entity or a company that qualifies for the small companies regime it should be shown within the line 'taxation and social security'.

¹⁵⁴ Section 11 requires terms of creditors etc. to be disclosed.

¹⁵⁵ Section 11 requires terms of creditors etc. to be disclosed.

24. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (IF ANY) ¹⁵⁶

	2017 €'000	2016 €'000
Amounts payable on public benefit entity concessionary loans (note 23)	-	-
Deferred income (note 24)	-	-
Term loan (note 26)	-	-
	<hr/>	<hr/>

25. DETAILS OF BORROWINGS (IF ANY) ¹⁵⁷

	Within 1 year €'000	Between 1 & 2 years €'000	Between 2 & 5 years €'000	After 5 years €'000	Total €'000
<u>Repayable other than by instalments</u>					
Bank Overdrafts	-	-	-	-	-
Public benefit entity concessionary loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
<u>Repayable by instalments</u> ¹⁵⁸	-	-	-	-	-
Term Loan					
	<hr/>				
	<hr/>				

The bank facilities¹⁵⁹ are secured by a debenture incorporating fixed and floating charges over the assets of the company and personal guarantees from the Directors.

The facilities expiring within one year are annual facilities subject to review at various dates during 2017/2016. Interest is payable at a fixed rate of x% OR at the standard variable rate of interest of X%.

The public benefit entity concessionary loan is interest free and repayable on 31 December 2019.

¹⁵⁶Sch 3(4)(7) of CA 2014 requires where an asset or liability relates to more than one of the items listed in either of the balance sheet formats, then its relationship to other items shall be disclosed under the item where it is shown or in the notes to the financial statements. In this instance for example finance leases have been shown separately under creditors within one year and creditors greater than one year. The same point applies for bank loan, grants etc.

¹⁵⁷ Terms and conditions of loans to be disclosed under S11 of Charities SORP. Sch 3(67) of CA 2014 requires disclosure of terms of loans, the analysis of debt which is repayable other than by installments after 5 years and the total figure of any debt included in creditors >1 yr or < 1 year where security has been given.

¹⁵⁸ Include details of bank loans, finance leases and HP agreements. Required under CA 2014 and Charities SORP. Need to disclose the terms of the loan etc. under S.11 of Charities SORP and under Sch 3(58) CA 2014

¹⁵⁹ Company assets pledged as security should be disclosed here, where the security is pledged in a personal capacity by the company directors this should be disclosed in the related party note (Sch 3(58) CA 2014).

26. DEFERRED INCOME¹⁶⁰

	2017 €'000	2016 €'000
At 1 January	-	-
Additions	-	-
Finance costs charged for unwinding of the discount	-	-
Released to the SOFA in the period	(-)	(-)
At 31 December	<u>XXX</u>	<u>XXX</u>
Split of deferred income:	-	-
Amounts falling due within one year	-	-
Amounts falling due after more than one year	-	-
At 31 December	<u>XXX</u>	<u>XXX</u>
Income receivable in 2017/2016 but deferred	XXX	XXX
Amounts deferred in the prior period released to the SOFA in the period	XXX	XXX

The deferred income relates to XXX and arises as a result of invoices being issued in advance

OR

The deferred income relates to grants received but the performance conditions have not been met at the reporting date.

27. PROVISION FOR LIABILITIES¹⁶¹

	Warranty Provision (see note (i)) €	Total €
At 1 January 2016	-	-
Additions	-	-
Utilised during the year	-	-
Finance charged for unwinding of the discount	-	-
Charged in the year	-	-
At 31 December 2016	<u>-</u>	<u>-</u>
	€	€
At 1 January 2017	-	-
Additions	-	-
Utilised during the year	-	-
Unused amounts reversed in the year	-	-
Finance charged for unwinding of the discount	-	-
Charged in the year	-	-
At 31 December 2017	<u>-</u>	<u>-</u>

¹⁶⁰ Required to be disclosed separately under company law. S5.59 of Charities SORP requires a note to be included detailing why the income is deferred and should analyse the movement of the deferred income account. It should also detail the income received in the year but deferred and the amounts deferred previously release in the year.

¹⁶¹ S10.83 of Charities SORP requires an analysis, the nature of the obligation, and expected amounts and timing of resultant payments and details of any uncertainty of the timing and any expected reimbursement

(i) **Warranty provision**

A provision is recognised on warranty claims on certain products sold during the year. The warranty given by the company is for 3 years and the premium is based on the company's best estimate (using previous years' warranty claim details) and as such the amount included in the financial statements is expected to be fully utilised with 24 months of the year end. (€32,500 expected to be utilised in 2016 and €65,000 in 2017).

28. ANALYSIS OF NET FUNDS¹⁶²

	General Funds	Designated Funds	Restricted Funds	Total
	€'000	€'000	€'000	€'000
At 1 January 2016 as previously stated	1,800	50	-	1,850
Prior year adjustment – change in accounting policy (see note 2)	-	-	769	769
At 1 January 2016 as restated	1,800	50	769	2,619
Net income for the year as previously stated	750	400	-	1,150
Prior year adjustment – change in accounting policy (see note 2)	-	-	(50)	(50)
Net income/(expense) for the year as restated	750	400	(50)	1,100
Transfer between funds	(400)	400	-	-
Gains & Losses	-	-	-	-
At 31 December 2016	2,550	450	719	3,719
At 1 January 2017	2,500	500	719	3,719
Net income for the year	3,027	-	100	3,124
Transfer between funds	(1,000)	1,000	-	-
Gains & Losses	-	-	-	-
31 December 2017 (note 30)	4,527	1,500	819	6,846

The General reserve represents the free funds of the charity which are not designated for particular purposes. Further details of the fund by class are detailed in note X.

29. ANALYSIS OF NET ASSETS BETWEEN FUNDS¹⁶³

	General Funds	Revaluation Funds	Designated Funds	Restricted Funds	Total Funds
	€'000	€'000	€'000	€'000	€'000
Tangible assets	-	-	-	819	4,000
Investments	1,000	-	-	-	1,000
Current assets	2,600	-	-	-	2,600
Current liabilities	(754)	-	-	-	(754)
Long term liabilities	-	-	-	-	-
Net assets at 31 December 2017	4,527	-	1,500	819	6,846

30. MOVEMENTS IN FUNDS¹⁶⁴

¹⁶² S2 of Charities SORP and FRS 102 requires a description of how each reserve arose and the reasons for the movements in the year. Note if this description is included in the statement of changes in funds in the primary statement there is no need to include this note here.

¹⁶³ Required by S2.29 of Charities SORP

	At 1 January 2017 as restated €'000	Income €'000	Expenditure €'000	Transfers €'000	Gain and Losses €'000	At 31 December 2017 €'000
Restricted Funds:						
Capital Grants	719	150	(50)	-	-	819
Counselling service (for illustrative purposes only)	-	-	(-)	-	-	-
Total restricted funds	719	150	(50)	-	-	819
Unrestricted funds						
Designated capital refurbishment fund	500	-	-	1,000	-	1,500
Revaluation fund	-	-	-	-	-	-
General Funds	2,500	4,276	(1,252)	(1,000)	3	4,527
Total unrestricted funds	3,000	4,276	(1,252)	-	-	6,027
TOTAL FUNDS	3,719	4,526	(1,302)	-	3	6,846

Purposes of Restricted Funds

Capital grants: This fund was created on receipt of a capital grant from XX towards the cost of the construction of the principal offices. This was recognised in the SOFA on receipt of the grant and when the performance conditions of the grant were complied with. The movement in the year represents the depreciation charged on the element of the fixed asset cost covered by the grant. This reserve reduces as the premises depreciate. A further capital grant of €150,000 was received in the year.

Counselling service: This fund arises as a result of xx where funds can only be utilised for this specific purpose. This fund should be utilised in the coming year.

Purposes of Designated Funds

Capital refurbishment fund: The trustees have designated funds for the refurbishment and repairs of the premises. An amount of €XXX was transferred from the general fund to this reserve in the current year. It is expected this work will be carried out in the year 2017. This reserve will reduce as the asset is depreciated.¹⁶⁵

Revaluation Reserve Fund: The revaluation reserve fund is required by the Companies Act 2014 and represents the amount by which the carrying value of the land and buildings exceed their historical cost. The movement in the year relates to the depreciation charged on the valuation uplift.

Fund 2 has been designated for During the year it increased as a result of XX. Etc. etc.

General funds

The General reserve represents the free funds of the charity which are not designated for particular purposes.

¹⁶⁴ S2.28 of Charities SORP requires the movement by fund to be shown including providing information on the purpose of the funds

¹⁶⁵ If there is a liability created in relation to this work on the balance sheet this fact should be disclosed

31. FINANCIAL INSTRUMENTS¹⁶⁶

	Note	2017 €'000	2016 €'000
Financial assets that are equity instruments measured at fair value			
Investments in listed shares	21	1,000	996
Financial assets that are equity instruments measured at cost less impairment			
Investments in unlisted shares	21	XXX	XXXX
Financial assets that are debt instruments measured at amortised cost			
Trade and other debtors	22	150	500
Cash and short term deposits		1,800	500
Investment in Government bonds	21	XXX	XXX
Financial liabilities measured at amortised cost			
Trade creditors	24	500	400
Finance leases	24	XXX	XXXX
Bank loans	24&25	XXX	XXXX
Accruals for goods and services	24	200	100
Company's income, expense, gains and losses in respect of financial instruments are summarised below:			
On financial assets measured at fair value through SOFA	21	3	3
On financial liabilities measured at amortised cost (for illustrative purpose)		-	-

32. RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 €'000	2016 €'000
Net income for the period ¹⁶⁷	3,127	1,100
Depreciation	110	120
(Gain)/loss on disposal of fixed assets	(-)	-
(Gain)/loss on investments	(-)	-
Dividends from investments	(-)	(-)
Interest income from investments	(1)	(2)
Rent received from investments	(-)	(-)
(Increase)/decrease in stock	(-)	-
Decrease/(increase) in debtors	500	(450)
Increase/(decrease) in creditors	177	(380)
Net cash generated from operating activities	3,913	388

¹⁶⁶ Required by Section 11 and Section 12 of FRS 102 & S11.35 of Charities SORP.

¹⁶⁷ This figure should be taken from the 'net income for the year' line in the SOFA (i.e. the line just above 'Transfer between funds'.

33. ANALYSIS OF CASH & CASH EQUIVALENT¹⁶⁸

	At 31 Dec 2016	Cash flow	Other non- cash items	At 31 Dec 2017
	€'000	€'000	€'000	€'000
Cash at bank and in hand	500	1,300	-	1,800
Bank Overdraft	-	-	-	-
	500	1,300	-	1,800

(i) The non-cash item refers to assets purchased on finance lease which did not result in an out flow of cash (Included for illustrative purposes only).

(ii) Included in cash at bank and in hand above is €200,000 in relation to endowment funds which can only be used for a specific purpose and cannot be used to further charitable activities.¹⁶⁹

34. SHARE CAPITAL AND MEMBERS LIABILITIES

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding one Euro (€1).

35. CAPITAL AND OTHER COMMITMENTS

There were no capital commitments at the year ended 31 December 2017 (2016: €nil).

At 31 December 2017, the company had the following commitments under non-cancellable operating leases that expire as follows:

	2017	2016
	€'000	€'000
Within one year	145,000	145
Within two to five years	100,000	100
Greater than five years	-	-

The company has committed €XXX (2016: €XXX) of public benefit concessionary loans which have not been taken up at the balance sheet date¹⁷⁰.

At the year end the charity had committed to providing €XXX (2016: €XX) to two beneficiaries. However, at the year end these parties were assessing whether they would proceed with the projects. On the basis that the payment is possible but not probable it has not been recognised as a liability in these financial statements. The third parties have until XX 2016 to accept the offer. This commitment if taken up will be funded from the charity's surplus resources¹⁷¹.

The company has designated funds for the purchase of equipment for €XXX. Included within creditors is €XXX in relation to this cost¹⁷².

¹⁶⁸ Net debt is not specifically required under FRS 102. This note is only required where it is not easy to determine from review of the balance sheet how much the cash moved by in the year.

¹⁶⁹ S14.20 of Charities SORP requires disclosure of cash and cash equivalents which are not available for use to further charitable activities.

¹⁷⁰ S21.43 of Charities SORP requires this to be disclosed.

¹⁷¹ S7.44 of Charities SORP requires this to be disclosed.

¹⁷² As required by 7.46 of SORP.

36. RETIREMENT BENEFITS INFORMATION¹⁷³

	2017	2016
	€'000	€'000
Retirement Benefits	-	-
Ex Gratia Pension Costs	-	-

[Provide an explanation of any material variation in the pension charge from that of the previous period. Provide also any commitment by the company to make additional contributions for a limited number of years – for example, the pension charge for the year 2008 included €AMOUNT) in respect of past service liabilities that are being written off over ten years being the average remaining service les of the current employees]. The **expense as been fully allocated to the unrestricted fund as these costs were incurred on unrestricted activities¹⁷⁴ OR the expense recognised in restricted funds was €XX and in unrestricted funds was €XX, this cost was allocated on the basis of etc. etc.** Contributions outstanding at year end amounted to €1,000 (2016: €500).¹⁷⁵

The charity operates an externally funded defined contribution scheme that covers substantially all the employees of the charity. The assets of the scheme are vested in independent trustees for the sole benefit of these employees.

37. CONTINGENCIES¹⁷⁶

A legal action is pending against the charity for alleged unfair dismissal. The directors under advisement from their legal team expect that the claim will be successfully defended. Should the charity be unsuccessful in the action the maximum estimated settlement is not expected to exceed €10,000.

Under agreements between the Company and XXXXX grant body dated on various dates between XX Month Year8 and XX Month Year, the Company has a contingent liability to repay in whole or in part grants received amounting to €XXXX if certain circumstances set out in those agreements occur within five years of receipt of the final instalment of each grant. The amounts received under these agreements amounted to €XXXXXX¹⁷⁷.

There were no unfulfilled commitments or conditions from non-exchange transactions that have not been recognised in income¹⁷⁸.

¹⁷³ Note is applicable to defined contribution schemes only, defined benefit schemes require further detailed disclosures.

¹⁷⁴ S17.21 of Charities SORP requires a disclosures of the pension cost between restricted and unrestricted funds and the basis for the allocation.

¹⁷⁵ FRS 102 and S17.21 of Charities SORP requires the nature of the scheme, contributions paid during the year and the amount outstanding at year end disclosed.

¹⁷⁶ S10.87 and S10.88 of Charities SORP - Where information required under Section 21 is deemed to prejudice an on-going dispute with other parties the specific details may not be disclosed but the general nature of dispute and reason for non-disclosure should be included.

¹⁷⁷ S5.58 of Charities SORP –requirement to disclose details of any unfulfilled conditions or other contingencies attaching to grants that have been recognised in income.

¹⁷⁸ S6.31 of Charities SORP –requirement to disclose details of same.

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

38. PROVISIONS AVAILABLE FOR SMALL ENTITIES¹⁷⁹

In common with many other businesses of our size and nature, we use our auditors to provide basic book keeping, prepare and submit tax returns to the revenue and assist with the preparation of the financial statements.

39. POST BALANCE SHEET EVENTS

There have been no significant events affecting the charity since the year-end.

Or

Post year end the charity will expand its operations increase income and surpluses going forward.

40. BANK FACILITIES

The bank facilities are secured by a debenture incorporating fixed and floating charges over the assets of the charity and personal guarantees from the Directors/Trustees

41. RELATED PARTY TRANSACTIONS¹⁸⁰

Key management includes the Board of Directors (executive and non-executive), all members of the company's management. The compensation paid or payable to key management for employee services is shown below¹⁸¹:

	2017	2016
	€	€
Key management compensation		
Salaries and other short-term employee	-	-
benefits Post-employment benefits	-	-
	<u>-</u>	<u>-</u>

The highest paid staff member included in the above is the CEO, Mr X which was €XXX and includes pension contributions of €XXX. This disclosures above relate to payments made to 5 individuals.

Mr X, a trustee of the charity is also a director of XX Limited, a computer programming company that charged €XXX for professional advice in relation to the website. The contract was awarded through a competitive tendering process. This was not paid at the year end and is included within

trade creditors¹⁸². €XXX of this amount was provided for OR written off at year end.

During the year Mr X, a trustee, loaned the charity €XXX on an interest free basis. An amount of €XX was outstanding on this loan at year end. €XXX of this amount was provided for OR written off at year end.

¹⁷⁹ Include if the charity meets the definition of a small company. Where these provision have been utilised this fact must be disclosed in the notes to the accounts under the ES PASE rules.

¹⁸⁰ S9.13 to 9.22 of Charities SORP requires disclosures of related party balances.

¹⁸¹ As required by S9.32 of Charities SORP. For larger charities consideration should be given to the information needs of the funders in making the disclosures. For large charities it may also be helpful to disclose the remuneration of CEO or highest paid staff member or alternatively disclose the remuneration for each separately.

¹⁸² S9.20 of Charities SORP requires disclosure of the relationship, the name, the amount, the terms and conditions, any guarantees given, amounts outstanding at year end, amounts written off and provided for.

OmniPro Sample SORP Charity Company Limited by Guarantee Year ended 31 December 2017 Notes to the Financial Statements

During the year the charity purchased €XX from its subsidiary company Charity Co. Limited. An amount of €XX was payable at the year end¹⁸³.

The total amount of donations received from related parties in the year was €XXX (€XXX).

There were no further transactions entered into with the trustees/directors.

OR

There were no related party transactions during the year that requires disclosure.

42. CONTRIBUTION OF UNPAID GENERAL VOLUNTEERS¹⁸⁴

The trustees are very grateful to the unpaid general volunteers who help by staffing our shops, carrying out fundraising on the charity's behalf. Volunteers also provide assistance with events, giving time and supplies to make them a success. The total number of unpaid volunteers that provided services in the year was XX.

43. PARENT AND ULTIMARE CONTROLLING PARTY¹⁸⁵ (FOR ILLUSTRATIVE PURPOSES)

THE COMPANY IS A WHOLLY OWNED SUBSIDIARY OF XXX PARENT, AN IRISH REGISTERED COMPANY WHOSE COMPANY REGISTRATION NUMBER IS XXXXX. THE PARENT IS ALSO A CHARITY (CHARITY NUMBER CHYXXXX). THE PRINCIPAL ACTIVITIES OF THE PARENT IS TO HOLD INVESTMENTS IN A NUMBER OF CHARITIES AROUND IRELAND ALL WITH THE SAME AIM AND ACTIVITIES AS OMNIPRO SAMPLE SORP CHARITY COMPANY. XXXX PARENT EXERCISES ITS CONTROL THROUGH THE OWNERSHIP OF 100% OF THE SHARE CAPITAL OF OMNIPRO SAMPLE SORP CHARITY COMPANY. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE XXXX PARENT ARE AVAILABLE FOR DOWNLOAD FROM THE COMPANIES REGISTRATION OFFICE.

NOTE: NOTES 44 TO 45 ARE NOT SPECIFICALLY REQUIRED UNDER COMPANY LAW OR FRS 102 SORP HOWEVER SOME GRANT PROVIDERS REQUIRE THE ADDITIONAL INFORMATION BELOW TO BE INCLUDED AS PART OF THE CONDITIONS OF THE GRANT (E.G. CHARITIES RECEIVING EXCHEQUER FUNDING –STATED IN CIRCULAR 13/2016).

44. TAX CLEARANCE

OmniPro Sample Charity Company Limited by Guarantee S.1A has an up to date tax clearance certificate.

¹⁸³ S9 of Charities SORP requires disclosure of all transactions with group companies. There is no exemption (100% owned still need to disclose these transactions).

¹⁸⁴ S9.13 to 9.22 of Charities SORP requires disclosures of related party balances.

¹⁸⁵ S26.5 to 26.8 of Charities SORP requires disclosures of parent company, how it exercises control, state if it is a charity and its principal activities and where the consolidated financial statements can be downloaded from.

45. Details of Grant and other information

Name Grant Agency	Sponsoring government department	Total Grant Award	Term of Grant	Grants deferred/ due @ 1 Jan 2017	Received during period	Grants deferred/ due @ 31 Dec 2017	Amount of Grant taken to income in period	Name Grant Programme / purpose of grant	Capital Grant if relevant	Is the grant restricted to a project or for the delivery of service	Expenditure in period
Health Service Executive	N/A	€XXXXX	2017	€XXX	€XXXX	€XXXX	€XXXX	Disability Services	N/A	Delivery of Service	€XXX
Health Service Executive	N/A	€XXXXX	2016-2017	€XXX	€XXXX	€XXXX	€XXXX	Pension benefits	N/A	Restricted – only for use for stated purpose of programme	€XXX
XXX City Council	Department of environment community & local government	€XXXX	201X	€XXXX	€XXXX	€XXXX	€XXXX	Rural Water Development programme	N/A	Restricted – only for use for stated purpose of programme	€XXX
Pobal	Department of Children & Youth Affairs	€XXXX	2016-2017	€XXXX	€XXXX	€XXXX	€XXXX	Special needs for young people	N/A	Restricted – only for use for stated purpose of programme	€XXX
Pobal	Department of environment community & local government	€XXXX	2016-2017	€XXXX	€XXXX	€XXXX	€XXXX	Construction of new facilities	Yes	Capital Grant – Restricted for the purpose of the programme.	€XXX
Total grants from							€XXXX				€XXX

government bodies											
Name Grant Agency	Sponsoring government department	Total Grant Award	Term of Grant	Grants deferred/ due @ 1 Jan 2017	Received during period	Grants deferred/ due @ 31 Dec 2017	Amount of Grant taken to income in period	Name Grant Programme / purpose of grant	Capital Grant if relevant	Is the grant restricted to a project or for the delivery of service	Expenditure in period
Income from other sources							€XXXX				€XXXX
Total for period							€XXXX				€XXXX

46. APPROVAL OF THE FINANCIAL STATEMENTS

The directors/trustees approved the financial statements on the _____.

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Section 1: Charities SORP meets Companies Act 2014 – Financial statement presentation

Introduction

- By now all charities will have transitioned to FRS 102.
- No specific requirement to apply charities FRS 102 SORP in Ireland at this time (will become mandatory in the coming years for certain charities of a certain size).
- Therefore why adopt voluntarily:
 - Represents best practice
 - Certain grant making bodies are pushing for these to be prepared
 - Given the current environment, transparency is key and applying SORP provides this to a certain degree
 - More of public reviewing financial statements to assess how funds are spent

What's covered in this section?

- Review impact on financial statements when moving from FRS 102 to Charities SORP FRS 102
- From an accounting perspective – much of SORP is a replica of FRS 102 (Section 34 etc.). In general not many accounting adjustments on transition from FRS 102
- If applicable the principal adjustments where a change in accounting policy is required on adoption of FRS 102 SORP –

Note this Section should be reviewed in conjunction with the draft Pro-forma FRS 102 SORP financial statements prepared by OmniPro which is included in the financial statements section of this website. There are references to notes in these pro-forma financial statements throughout.

- Provision of a detailed section by section comparison between, FRS 102 Charities SORP, FRS 102 and Old UK & Irish GAAP/FRSSE.
- Provision of a detailed FRS 102 Charities SORP disclosures checklist.

A) The Directors/Trustees report (see pages 4 to 15 of the pro-forma FRS 102 SORP financial statements):

Note where the word 'small and large' is included in brackets (i.e. (small and large)) then this means that it is applicable to both small and large charities. If the words 'small and large' is not there it is applicable to just large charities. Note the Irish Charity Regulator have not defined what a large charity threshold is at this time but it is likely to be those charities which are subject to audit.

Requirement on top of usual company law requirements (where the charity is a company) to provide within the report:

- Details of objectives and achievements
 - Purpose and aims of charity (small and large)
 - Main activities undertaken which should mirror the split of activities in the FS's (small and large) – explain how contribute to achievement of aims
 - Strategies for achieving aims and any longer term aims. Note small charities do not have to split income and expenditure by activity, instead it can be based on the nature of the income and expenditure. E.g. analysed by salary related costs, premises related costs, interest expenses, transport cost etc. or alternatively the headings used by the charity to record expenditure in its own accounting records
 - Criteria used to measure success
 - Details of social investments and how they contribute to charities aims

- Charity's grant making policy
- Details of volunteer services for activities
- Details of achievements and performance detailing:
 - Main achievements (small and large) compared to objectives/KPI's/targets set (e.g. no. of events, no. of beneficiaries treated etc.)
 - Wider benefits provided to society (small and large)
 - Charitable activities undertaken Main activities undertaken which should mirror the split of activities in the FS's (small and large) – explain how contribute to achievement of aims (note these activities should correspond to the charitable activities detailed in the notes to the FS's)
 - Performance of fundraising compared to objectives
 - Investment performance vs expectation
 - Material expenditure incurred and the benefits this will provide in future
 - Any factors within or outside the charities control which affected achievement of targets
- Financial review
 - Review of reporting position at end of period (small and large)
 - Policy it has for holding reserves. Also
 - state the amount of those reserves & why they are held (small and large)
 - if decide no need to hold reserve – must be disclosed and reason for this (small and large)
 - identify the amount of those funds that are restricted, designated and can only be realised from disposal of assets
 - state the amount of unrestricted reserves
 - expected timing on usage of designated funds
 - compare amount of reserves with stated policy on reserves and if different steps being taken to rectify this
- Financial review
 - nature of going concern uncertainties to be explained (small and large)
 - detail material funds in deficit & how they arose inc. steps taken to eliminate this (small and large)
 - any factors likely to affect performance going forward
 - principal risks and uncertainties facing the charity (required under Co. Law anyway)
 - principal funding sources and how it support's the principal aims
 - policy used for selecting investments and ensuring the charity acts in a socially responsible manner
- Structure, governance and management

- Nature of governing document (small and large)
 - How charity is constituted (small and large)
 - Methods used to appoint & recruit charity trustees, if other third party able to do this, the report should state the name of that person (small and large)
 - Organisational structure
 - How decisions are made and which are delegated and to whom
 - Arrangements for setting pay of key management personnel including any benchmarks, criteria used etc.
 - Details on training/induction of trustees
 - If charity part of wider group how this impacts policies
 - Relationship between charity and related parties who it co-operates with
 - Reference and administrative details (a lot of info already included in directors report)
 - Charity & company number, registered or any other name used
 - Address of principal office
 - Names of person who were trustees during & up to date of sign off – required under Co law for all period after 1/6/15 in any event
 - Where corporate trustees exist – detail names of directors of that body
 - Names of trustees holding title to property during & up to date of approval
 - Name of CEO or other senior management that are delegated responsibility for day to day operations
 - Names & addresses of solicitors, bankers, auditors, investment advisors to be stated
 - Plans for future (as per CA requirements)
-

B) Directors/Trustees Responsibilities Statement & Auditors report (See pages 16 to 19 of the financial statements)

- Change reference to include reference to Charities SORP FRS 102
-

C) Statement of Financial Activities (SOFA) (See pages 20 and 21 of the FRS 102 SORP financial statements)

1) What is different from FRS 102?

- Replaces income and expenditure account or P&L depending on what used previously
- Set format – see pro-forma financial statements for illustration and an illustration below
 - Requirement to split the current year figures between restricted/unrestricted/endowment funds
 - Notes to the accounts should state the split for the previous year.
- Invoke true and fair view override (previously applied if I&E layout utilised). Note this will no longer be applicable when the Companies (Accounting) Act 2016 is enacted

- No 'other comprehensive income' instead shown in under heading 'Other recognised gains/(losses) in SOFA
- See also accounting policy section for change in some income recognition rules relating to grants.

Example 1: Extract from statement of financial activities

		Unrestricted	Restricted	Endowment	2015 ²	Restated ¹ 2014
	Notes	Funds	Funds	Funds		
		€'000	€'000	€'000	€'000	€'000
Income from:	4					
Donations and legacies ³	5	3,000	-		3,000	2,400
Charitable activities	6	1,150	150		1,300	1,500
Other trading activities	8	125	-		125	105
Investments ⁴	9		-		1	2
Other income ⁵ (for illustrative purposes)	10	-	-		-	-
Total income		4,276	150		4,426	4,007
Expenditure on:						
Raising funds	11	552	-		552	1,636
Charitable activities	12	700	50		750	1,275
Other (for illustrative purposes)		-	-		-	-
Total expenditure		1,252	50		1,302	2,910
Net gain on investments ⁶	15	3	-		3	3

¹ In this sample set we have assumed that previously the charity applied the accruals model for grants under FRS 102. However as Charities SORP requires the performance model to be adopted we have assumed there was an adjustment required as a result of the change in accounting policy to recognising grants on the performance model. If previously the company did not apply the accrual model or there was no impact as a result of the change in accounting policy, then the word 'restated' would not be required here.

² If the charity had an endowment fund this should also be shown in a separate column under S.4 Charities SORP.

³ Donations and legacies include any income received that is a gift given on a voluntary basis. This includes grants of a general nature not conditional on certain levels of volumes or of service or supply of charitable goods. It includes membership subscriptions and sponsorships where they are in substance donations and donated goods and services for the charity's own use.

⁴ S.4.36 of Charities SORP - income earned from holding investments (interest, dividend, rent) to be included here

⁵ Include items not falling within the headings in bold above, unless it is individually material. Items to include here are gain on disposal of a programme related investments and royalties, transfer of income from endowment funds and gain on disposal of tangible fixed assets

⁶ Include movement in fair value of investments assets and investment property here whether realised or unrealised. Gain on acquisition of another charity or a gift of a subsidiary

Net income	16	3,027	100	3,127	1,100
Transfer between funds⁷		-	-	-	-
Other recognised gains/ (losses):					
Gains/(losses) on revaluation of fixed assets ⁸		-	-	-	-
Actuarial gains/(losses) on defined benefit pension schemes ⁹		-	-	-	-
Other gains/ (losses) ¹⁰		-	-	-	-
Net movement in funds		3,027	100	3,127	1,100
Reconciliation of funds:					
Total funds brought forward		3,000	719	3,719	2,669
Total funds carried forward		6,027	819	6,846	3,719

2) What is restricted and what is unrestricted

- Restricted income/fund = income received of any kind where the donor has specifically included a condition that the funds/legacies/gift provided must be used for a specific purpose
 - If the donor merely expresses a form of non-binding preference as to use of the funds then they are not restricted
 - If fundraising carried out and it is stated that the funds will be used for a specific purposes then this would be restricted
 - Where capital grant received toward cost of building etc. need to assess if it is given for a specific premises which is to be used for a specific purpose within charity or if it can be used generally for charity
 - If can be used generally then once building is constructed it can be moved from restricted to unrestricted
 - If it is for specific purpose then needs to be kept in restricted and depreciation each year on building to be included in restricted expenses
- Unrestricted = where no condition attached to the gift etc. other than it be used for the charitable purpose

⁷ S2.26 of Charities SORP permits transfers where there is a transfer from unrestricted funds to restricted funds to finance a deficit on a restricted fund; where restricted funds have lawfully been released; where trustees have exercised a power to declare a special trust over a gift initially recognised as unrestricted; or to transfer the value of a fixed asset from restricted to unrestricted funds when the asset has been purchased from a restricted fund donation but is held for a general and not a restricted purpose.

⁸ Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA

⁹ Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA

¹⁰ Only included here for illustrative purposes. If there is no figure then there is no need to include this in the SOFA. Include items here where hedge accounting has been applied

- Note designated funds go within the unrestricted fund column – designated funds are set up by the trustees, there is no legal requirement stating funds cannot be used for any purpose
- What charities need to do?
 - Review funds in existence at start of comparative year when SORP accounts first prepared to ascertain whether they are restricted, unrestricted or endowment funds
 - Then classify the income and expenses accordingly in the SOFA

3) What income is to be included in each category of income?

- Items to include in donations and legacies
 - Income received by way of gift and where no performance conditions apply (i.e. certain level of service, volumes etc. to be maintained)
 - Grants received where no performance conditions attached
 - Donated goods and services which are used for charity's own use
 - Membership, subscription and sponsorships which are in substance donations (get money for providing very little in return)
 - Legacies receivable
- Items to include in charitable activities:
 - Sale of goods/services as part of charitable activity which is its primary trading purpose (e.g. St Vincent De Paul shops)
 - Performance related grants
 - Contractual payments from government and public authorities (e.g. provision of care)
 - Sale of goods/services made by beneficiaries
 - Letting of non-investment property in furtherance of charitable purpose (e.g. income from patients in a care facility)
 - Membership/subscriptions by beneficiaries
- Items to include in other trading activities:
 - Income from non-charitable activities (i.e. from normal trading operations)
 - Shop income from selling donated and bought in goods
 - Membership subscriptions – which is not from beneficiaries or a gift i.e. a payment for something in return
 - Income from letting arrangements of a temporary nature
 - Income from lotteries
 - Merchandising income
 - Income from fundraising events
- Items to include in investment income – to be included gross:
 - Rental income on investment property;
 - Dividends
 - Interest

- Items to include in other income:
 - Anything not coming within any other category
 - If material this should be stated separately on the face of the SOFA
 - Income transferred from endowment funds (can also be included in the transfer line)
 - Gain on disposal of programme related investments or tangible fixed assets
 - Insurance income
- Items to include in charitable activities:
 - All costs incurred in undertaking the charities activities including support and allocation of governance costs
 - Costs in negotiating contracts and grants to provide for specific activities
 - The activities should correspond to activities in the trustees report
 - Cost of grants paid by a charity as part of its activities
- Items to include in 'expenditure on raising funds':
 - Costs incurred in seeking donations, grants, legacies
 - Costs of operating membership/social lotteries
 - Cost of staging events
 - Cost of operating charity shop
 - Costs of contracting with agents to raise funds
 - Advertising marketing and direct mail
 - Investment management costs inc.:
 - Portfolio mgt
 - Obtaining investment advice
 - Admin of investments
 - Rent collection, property repairs and maintenance charges
- Items to include in 'net gain/(loss on investments')
 - Movement on fair value of investment assets and investment property,
 - gain/loss on disposal of the above
- Items to include in 'transfer between funds'
 - transfer from unrestricted funds to restricted funds to finance a deficit on a restricted fund;
 - where restricted funds have lawfully been released;
 - where trustees have exercised a power to declare a special trust over a gift initially recognised as unrestricted; or
 - to transfer the value of a fixed asset from restricted to unrestricted funds when the asset has been purchased from a restricted fund donation but is held for a general and not a restricted purpose.

- must net to nil in total
- Items to include in 'gains/(losses) on revaluation of fixed assets':
 - revaluations on tangible fixed assets (excluding investment property) where a revaluation policy adopted (includes heritage & intangible assets)

D) Balance sheet (see pages 22 and 23 of the pro-forma FRS 102 SORP financial statements)

1) What is different from FRS 102?

- As per FRS 102 on the top half of balance sheet
- Wording 'capital and reserves' at bottom half of BS changed to 'Funds of Charity'
- Disclose unrestricted, restricted, endowment funds, share capital and revaluation reserve separately under heading 'funds of charity'
- If revaluation made on restricted asset this should be shown as restricted
- Investment properties shown within Investments

See example balance sheet below:

	Notes	2015 CU'000	Restated ¹¹ 2014 CU'000
Fixed assets			
Tangible assets	20	4,000	1,500
Heritage assets (for illustrative purpose)		-	-
Investments	21	1,000	996
		5,000	2,496
Current assets			
Stocks (for illustrative purposes)		-	-
Debtors	22	800	1,300
Cash at bank and in hand		1,800	500
		2,600	1,800
Creditors: amounts falling due within one year	23	(754)	(577)
Net current assets		1,864	1,223
Total assets less current liabilities		6,846	3,719
Creditors: amounts falling due after more than one year	24	-	-
Provision for liabilities	27	-	-
Total net assets		6,846	3,719

¹¹ In this sample set we have assumed that previously the charity applied the accruals model for grants under FRS 102. However as Charities SORP requires the performance model to be adopted we have assumed there was an adjustment required as a result of the change in accounting policy to recognising grants on the performance model. If previously the company did not apply the accrual model or there was no impact as a result of the change in accounting policy, then the word 'restated' would not be required here.

The funds of the charity:

Endowment funds (for illustrative purposes only)	28	-	-
Restricted funds ¹²	28	819	719
Unrestricted funds	28	6,027	3,000
Revaluation reserve (for illustrative purposes only)	28	-	-
Total charity funds	28	6,846	3,719

2) What is fund accounting? (see note 28 to 33 of the pro-forma FRS 102 SORP financial statements)

Fund accounting

- Restricted fund and unrestricted funds is as per explanation previously detailed
- Movement on funds must hit the SOFA, they cannot be directly posted to the funds section of the balance sheet
- Where an endowment fund is created even though it is restricted must be shown separately on the SOFA from other restricted funds. Two types of endowment funds:
 - Expendable endowment fund (ability to convert endowment funds to income - no requirement to spend or apply capital funds until trustees decide to)
 - Permanent endowment fund (fund to be held indefinitely and income earned to be reinvested)
- Rules with regard to transfer between funds have already been detailed in SOFA section
- If trustees want to designate some of the funds from the year to a designated fund for a particular purpose, then this is shown in a transfer line in the movement on funds note to the balance sheet. There would be no amount shown as transfer in SOFA as this is a transfer within an unrestricted fund.

E) Statement of Changes in Equity (see page 24 of the pro-forma FRS 102 SORP financial instruments)

- Only required to be presented if the charity has share capital and there had been movement on it during the year
- If presented show split of funds for each year

F) Statement of Cash Flows (see page 25 of the pro-forma FRS 102 SORP financial statements)

- May be a change in layout depending on how previously adopted
- Take net income for the period (before transfer line) then addback/(deduct):
 - Any investment income recognised in the investment line in SOFA

¹² S10.92 of Charities SORP– If a revaluation is made on a restricted asset, the revaluation reserve should be shown under restricted funds

G) Accounting Policies (see note 1 of the pro-forma FRS 102 SORP financial statements)

- Disclose the fact that this is first time applying FRS 102 SORP
- If a change in accounting policy required on adoption of SORP state this - reference to a note
- State that it is a public benefit entity (required under FRS 102 – just a reminder)
- Disclose that FS's prepared in line with SORP
- Disclose the fact that a true and fair override invoked to apply SORP layout as opposed to CA 2014 layout and reason for this. (Note when the Companies (Accounting) Act 2016 is enacted there will be no requirement to invoke the true and fair override as the new act permits the SORP layout to be utilised.)
- SORP introduces concept of programme related investments – need to include policy for recognition under SORP. Programme related asset are investments made to further charitable objectives with any investment return being secondary. If it is not primary motive these are know as mixed motive investments
- Investment properties must be carried at fair value. No option not to. Under FRS 102 if it caused undue cost or effort it could be carried at cost less impairment.
- Accounting policy for fund accounting
- As a reminder public benefit concessionary loan accounting policy to be disclosed (required under FRS 102 also)
- Disclose basis of how support costs are allocated
- Update government grant policy to performance basis if applicable (see below)

Reminder – assets held to provide services to beneficiaries are held for its service potential as opposed to being held to earn a commercial return – Accounting policy must disclose this fact.

H) Change in Accounting Policy – possible adjustments on transition

- Income/expenditure recognition is the same under SORP as is required under Section 34 of FRS 102 with the below exceptions:
 - Government grants must be recognised under the performance basis. FRS 102 gave a choice to use the accruals basis or the performance basis – note only applied to government grants.
 - Investment property must be carried at fair value. FRS 102 provided a get out if it could not be valued without undue cost or effort it could be carried at cost less accumulated depreciation and impairment.
 - Investment in associates/joint ventures must be carried at either cost less impairment or fair value through P&L. The option for FV through OCI is not permitted under SORP.
 - Self-constructed assets which are not complete cannot be classified as investment property
- If the charity previously applied any of the above policies which are not permitted under SORP (unless it is felt a true and fair override is justified - unlikely) then a change of accounting policy is required to restate the comparative year and the opening balance sheet at the start of that year for the new accounting policy. Disclosures required:

- Detail's of the nature of change
 - The reason for the change and how this provides more reliable and relevant information
 - The amount of adjustment for each line item in FS's affected for the current period, prior period and aggregate amount relating to period before those presented (if practicable, and if not practicable state why)
 - Have word 'restated' over each note to which a change occurred
 - Note change in accounting policy in SOCE if presented and in any event in the 'The analysis of Net Funds' note
- Main adjustments will be where capital grants were accounted for under accruals model under FRS 102.
 - See example disclosure of the disclosures required for a change in accounting policy from accounting for the grants under the accruals method to the performance model.
 - See examples in Section 2 which details how the adjustments would be journalled.

1. PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING POLICY (IF APPLICABLE)

Previously the company applied FRS 102 as its accounting framework but did not apply the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015. As a result of adopting the Charities SORP (FRS 102) in the current period a change in accounting policy was required so as to ensure compliance with the Charities SORP FRS 102.

Under FRS 102 the company adopted an accounting policy to recognise all grants on an accruals basis as opposed to on a performance basis. However, under the FRS 102 Charities SORP all grants including capital grants should be recognised as income in the SOFA on a performance basis (i.e. when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably). Given that the Charities SORP (FRS 102) represents best practice for all charities as it seeks to provide information relevant to the understanding of the directors and the performance and financial position of the Charity the directors believe the change in accounting policy is required.

As a result of the change in accounting policy from the accruals basis to the performance basis it has resulted in:

- the amount previously recognised as deferred income on the balance sheet at 31 December 2014 and 2013 of €719,000 and €769,000 respectively being released to a restricted fund within charity's funds where the grant was given for a specific purpose **OR** to a general fund where the grants were not required to be applied for a specific purpose. The reason for this is that this €719,000 and €769,000 respectively would previously have been recognised in the SOFA had the performance model been applied from inception. If the performance basis had of being applied from inception this income would have been released to the SOFA in the years 201X, (€XXX) and 201X (€XXX) respectively.
- the amortisation credited/recognised in income **OR** in expenses in the year ended 31 December 2014 of €50,000 on capital grants accounted for under the accruals model being reversed.
- the depreciation of €XXXX on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA from the unrestricted fund.
- the recognition of additional income in the SOFA of €XXX with regard to grants received for capital purposes where the conditions of the grant were complied with which was recognised as deferred income on the balance sheet under the accruals model previously (**for illustrative purposes**).

The impact of applying the performance model as opposed to the accruals model for the current year is that:

- additional income of €100,000 has been recognised in the SOFA with regard to capital grants received where the performance conditions have been met which previously would have been deferred and included in deferred income under the accruals model; and
- the amount recognised in expenditure on charitable activities would have been €55,000 lower for the amortisation that would have been released on the capital grants under the accruals model.
- there would be no requirement to show the depreciation on the element of the fixed asset cost covered by the grant being allocated to restricted funds in the SOFA.

Below is the analysis of the adjustments to the SOFA and the balance sheet in the comparative year:

BALANCE SHEET	As previously stated 2014 €'000	Prior year Adjustment €'000	As Restated 2014 €'000
Fixed assets			
Tangible assets	1,500	-	1,500
Investments	996	-	996
	2,496	-	2,496
Current assets			
Stocks	-	-	-
Debtors	1,300	-	1,300
Cash at bank and in hand	500	-	500
	1,800	-	1,800
Creditors: amounts falling due within one year	(577)	-	(577)
Net current assets	1,223	-	1,223
Total assets less current liabilities	3,719	-	3,719
Capital grants	(719)	719	-
Provision for liabilities	-	-	-
Total net assets	3,000	719	3,719
The funds of the charity:			
Restricted funds	-	719	719
Unrestricted funds	3,000	-	3,000
Total charity funds	3,000	719	3,719

STATEMENT OF FINANCIAL ACTIVITIES

	As previously stated 2014 €'000	Prior year Adjustment €'000	As Restated 2014 €'000
Income from:			
Donations and legacies	2,400	-	2,400
Charitable activities	1,500	-	1,500
Other trading activities	105	-	105
Investments	2	-	2
Other income	-	-	-
Total income	4,007	-	4,007
Expenditure on:			
Raising funds	1,636	-	1,636
Charitable activities	1,225	50	1,275
Total expenditure	2,860	50	2,910
Net gain on investments	3	-	3
Net income for financial year	1,150	50	1,100
Transfer between funds	-	-	-
Net movement in funds	1,150	50	1,100
Reconciliation of funds:			
Total funds brought forward	1,850	769	2,669
Total funds carried forward	3,000	-	3,719

I) Notes to the Financial Statements

- Income (see notes 4 to 10 of the pro-forma FRS 102 SORP Financial Statements)
 - Change in accounting policy note to be included in notes if applicable (S3.44 of SORP)
 - Show split of each income type in the SOFA in a note for the current and comparative year.
 - Detail the amount of each income category by restricted (separately stating how much of the restricted fund relates to endowments) for the current year & previous period - by narrative or table form (S.4.42 of SORP)
 - For material donated services/goods income – state how it arose and where the resulting debit is recognised
 - For government grants received – disclose the nature, amount of grants and any unfulfilled conditions attaching to the grants (S5.58 of SORP)
 - Disclose amount and reason for conversion of all or part of endowment fund (S4.34 of SORP)
- **1) Expenditure (see notes 11 to 14 of the pro-forma FRS 102 SORP financial statements)**
 - If there is a cost as a result of an exceptional fraud or a loss made on a material tangible fixed asset this should be disclosed on face of SOFA (S4.15 of SORP) – Not specifically stated under FRS 102

- Disclose all expenditure in each category on the SOFA which is taken from a restricted funds (separately stating how much of the restricted fund relates to endowments) for the current and prior year.
- Note to be included showing the make up of the cost as per the SOFA of raising funds for prior and comparative period including support costs.
- Note detailing the expenditure on charitable activities showing (S8.13&8.14 of SORP): See note 12 of the pro-forma FRS 102 SORP financial statements.
 - cost allocated by activities/services provided or projects or programmes undertaken (if grant making is an activity include this) (Note if this is a small charity this split is not required instead analyse the expenditure by nature e.g. salary related costs, premises costs, etc.)
 - costs can be shown on an individual basis or split by function e.g. governance, HR, finance & I.T.
 - the amount of support costs allocated within each activity with a reference to a note detailing how the split determined
 - the amount of governance costs allocated to each activity with a reference to a note detailing how the split determined
 - No requirement to show comparative year on line item by line item basis, instead can show total costs under each activity for each period
- Note detailing support costs showing:
 - Each support cost by type to include the basis on which they are allocated to activities. Costs are allocated based on what charity determines is most appropriate (see note 13 of the pro-forma FRS 102 SORP financial statements):
 - Based on usage of a resource or activity in terms of time taken, capacity used requests made;
 - Per capita based on number of people employed for that activity
 - Floor area
 - Time where staff duties span more than 1 activity
 - No requirement to show comparative year on line item by line item basis, instead can show total costs under each activity for each period
- Note providing an analysis of cost of grants given disclosing (S16.17 & 16.18 of SORP). See note 14 of the pro-forma FRS 102 SORP financial statements:
 - Grants by type/project and nature allocated between
 - Grants given to individuals
 - Grants given to institutions
 - If same type of service provided as part of charity activities also, disclose the split between activities undertaken directly and those that are grant funded.
 - Support costs incurred in the provision of grants (e.g. monitoring costs, grant application costs)
 - For grants to institutions disclose: –
 - the number of institutions given a grant,

- and if material the name of the institution (only required for material grants to institutions)
- name can be withheld if it is considered prejudicial
- Note detailing Auditors remuneration split by type –S9.23 of SORP (previously exempt under Co Law if met definition of a small/medium Co).

See note 17 of the pro-forma FRS 102 SORP financial statements:

- Audit
- Non-audit services
- Other financial services
- Tax advisory
- Requirement to disclose staff costs by activity split by (S.9.26 of SORP).

See note 16 of the pro-forma FRS 102 SORP financial statements:

- wages and salaries
- social security costs
- employers contribution to defined pension scheme
- operating defined benefit costs (ex finance costs)
- other forms of employee benefits (e.g. ex-gratia payments)
- redundancy or termination payments (include details of the:
 - nature of the payment,
 - its accounting policy; and
 - the extent of funding at the balance sheet date.

The above were already required under Co. Law so no differences expected where the charity is a company. However further disclosures required with regard to redundancies as above. In addition:

- disclose average number of full time and part time staff. As before the average number is required (S9.29 of SOPR)
- required to either state that there was either (S9.30 of SORP):
 - no employees that received employee benefits (ex pension contributions) > €70,000 (£60,000); or
 - the number of employees whose total benefits (ex pension costs) were >€70,000 (£60,000) for the period, fell within each band of €10,000/£10,000 from €70k upwards
- disclose redundancy cost split by statutory and ex-gratia element. For ex-gratia element disclose:
 - legal authority or reason for making it
- See note 18 of the pro-forma FRS 102 financial statements for illustration of the above points.
 - Disclose **separately** for services as trustee and services as an employee the below:

- none of the trustees have been paid any remuneration or received any other benefits from an employment with their charity or a related entity; **NOT PREVIOUSLY REQUIRED UNDER FRS 102 OR CA 2014** or
- one or more of the trustees has been paid remuneration or has received other benefits from an employment with their charity or a related entity detailing:
 - the legal authority under which the payment was made
 - the name of the remunerated trustee
 - details of why the remuneration or other employment benefits were paid;
 - the amount of remuneration paid;
 - the amount of any pension contributions paid by the charity for the reporting period; and
 - the amount of any other benefit, for example any termination benefits, private health cover or the provision of a vehicle

See note 18 of the pro-forma FRS 102 financial statements for illustration of the above points.

- Disclose trustee expenses by stating either:
 - that there was none paid/incurred; or
 - that there was travel expenses reimbursed to employees giving details of:
 - the total amount of expenses reimbursed;
 - the nature of the expenses (i.e. travel, subsistence etc.); and
 - the number of trustees reimbursed for expenses or who have had expenses paid by the charity.
 - The amount of expenses waived by trustees where it is considered material as a proportion of total expenditure of the charity

See note 18 of the pro-forma FRS 102 financial statements for illustration of the above points.

- Additional disclosure requirement for fixed asset investments (S10.53 of SORP)
 - Investment properties now disclosed within investments – previously in tangible fixed assets
 - Disclosure split further of other investments between social investments, cash & cash equivalents.
 - For investment in associates and joint ventures in entity accounts, disclosure required of (S28 of SORP);
 - any dividend receivable from associates/joint ventures (S28 of SORP)
 - the income etc. that would have been recognised had it been accounted under the equity method
 - where associate is a charity disclose the charity's share of the income, expenditure, profits showing a split of profits between activities.
 - For investment in associates and joint ventures where it is a charity and consolidated accounts are prepared show:
 - the investment as a programme related asset; and

- present this in the restricted fund when splitting net assets by fund

See note 21 of the pro-forma FRS 102 SORP financial statements for illustration of the above point

- Additional disclosure requirements for deferred income (S5.59 of SORP)
 - Disclose the income receivable in current year but deferred; and
 - Amounts deferred in PY released in CY

See note 26 of the pro-forma FRS 102 SORP financial statements for illustration of the above

- Disclosure of analysis of net funds should have already been provided by way of SOCE under FRS 102 (See note 28 of the pro-forma FRS 102 SORP financial statements)
- Requirement to show the analysis of the net assets showing the split of the assets/liabilities by fund (S2.29 of SORP).

See note 29 of the pro-forma FRS 102 SORP financial statements

- Detailed movement on funds note required showing income by each type of fund (S2.28 of SORP) and split further down by the funds within the funds.

See note 30 of the pro-forma FRS 102 SORP financial statements for illustration of the above

- If a liability is created on the balance sheet for a designated fund disclose this.

See note 35 of the pro-forma FRS 102 SORP financial statements for illustration of the above

- Where power to invest permanent endowment on total return basis details of the movement must be disclosed
- Requirement to disclose employer pension costs between restricted and unrestricted funds.

See note 36 of the pro-forma FRS 102 SORP financial statements for illustration of the above

- Additional key management compensation (KMC) disclosures:
 - As per FRS 102 KMC disclosures are required. In addition the charity must disclose:
 - The total remuneration paid/payable to the CEO; and/or
 - The highest paid person; and/or
 - The total number of individuals included in the disclosure.

See note 41 of the pro-forma FRS 102 SORP financial statements for illustration of the above

- Additional related party transaction disclosures (S9 of SORP)
 - All disclosure with wholly owned group companies must be disclosed – no exemption
 - Disclosure of total amount received in donations from related parties in the year. No need to disclose on an individual basis unless conditions are attached
 - If there are no related party balances this fact must be disclosed
 - Disclosure required of amounts written off on related party balances
 - Definition of a related party clarified to include
 - a person who is the donor of any land to the charity (whether the gift was made on or after the establishment of the charity); and
 - an officer, agent or a member of the key management personnel of the charity.

- Provides some exemptions to related party requirements which may be disclosed under FRS 102:
 - services provided on a voluntary basis by related parties
 - purchase from the charity by the trustee/related party where they are minor items which are for sale to the general public on same terms;
 - provision of services to related parties by the charity where the services are received on the same terms offered to any other beneficiary.

See note 41 of the pro-forma FRS 102 SORP financial statements for illustration of the above.

- Additional disclosures for charity's that are subsidiaries (S26.5-26.8 of SORP)
 - Disclose how the parent company exercises control
 - State whether the parent company is a charity
 - State its principal activities and where the consolidated financial statements can be downloaded from if applicable.
- Additional disclosures for consolidated financial statements (S.24 SORP)
 - Provide the following for each subsidiary:
 - Its name, company # and charity #
 - Amount of its assets, liabilities and funds at year end
 - Summary of turnover & expenditure & profit/(loss)

See note 42 of the pro-forma FRS102 SORP financial statements for illustration of the above points.

 - For acquisitions in the period, detail:
 - the useful life of goodwill, and if this exceeds five years, supporting reasons for this (under FRS 102 this is not required as it can be greater than 5 years without any explanation needing to be given).
- Requirement to provide details of contributions made by unpaid volunteers (S.9.13-9.22 of SORP.) See note 42 of the pro-forma FRS 102 financial statements for illustration of the above point.
- Where the parents charitable purpose differs from the subsidiary's purpose the funds of the subsidiary's should be shown as restricted in the consolidated statements
- Other points
 - Where a revaluation policy is applied on fixed assets:
 - the valuations should be performed with sufficient regularity and charities may undertake a review on a rolling basis over a five year period. This compares with FRS 102 where it did not state anything about a 5 year period
 - gives a possibility for revaluation to be performed internally if the member has sufficient knowledge to ascertain the valuation
- disclose where amortisation charge on intangible has been recognised in the SOFA (S.10 of SORP) as well as the historical cost if a revaluation methodology is applied.

- where merger accounting applies;
 - follow disclosures in table 18, 19 & 20 of Section 27 of SORP as detailed below
 - in the year following merger disclose the names & description of combining entities and the date of merger

Table 1: Analysis of principal SoFA components for the current reporting period

	Charity A (pre-merger)	Charity B (pre-merger)	Charity (post-merger)	Combined total
	CU	CU	CU	CU
Total income				
Total expenditure				
Net income/ (expenditure)				
Other gains/ (losses)				
Net movement in funds				

Table 2: Analysis of principal SoFA components for the previous reporting period

	Charity A	Charity B	Charity C
	CU	CU	CU
Total income			
Total expenditure			
Net income/(expenditure)			
Other gains/(losses)			
Net movement in funds			
Total funds brought forward			
Total funds carried forward			

Table 3: Analysis of net assets at the date of merger

	Charity A	Charity B	Combined Total
	CU	CU	CU
Net assets			
Represented by:			
Unrestricted funds			
Restricted income funds			
Endowment funds			
Total Funds			

- where charity acts as custodian detail:
 - the funds in or out,
 - funds held at year end
 - if with related parties the name of related party principal must be disclosed
 - in trustee report detail assets held and the name and objects of the charity that acts as principal

J) Detailed comparison of old GAAP and FRSSE and FRS 102 to FRS 102 SORP

See the detailed difference analysis included in the templates Section of this website.

K) Common errors on transition to FRS 102 SORP

- Not amortising premium/discounts on bonds over life of the bond
- Not including an accounting policy for concessionary loans or not considering such loans from an FRS 102 perspective
- Not disclosing the fact that it is a public benefit entity
- Not applying the 'assets held for service potential' and instead booking an impairment based on value in use
- Not identifying certain bonds as complex instruments (e.g. with profit bonds)
- Not recognising the value of donated services and goods as income and an expense.

Conclusion

- Very little transition adjustments other than those listed
- Significantly more disclosures than FRS 102 in certain areas
- Depending on how accounts were laid out previously some accounts may be very close to SORP
- Possible a lot of work to be done by charities to split costs by activities