

## 22. Accounting for charities pooling funds for investment

### Introduction

22.1. The reporting tiers applied for module 22 are as specified in the table below.

**Table 22.1A: Tiered reporting requirements for module 22**

|           |   |
|-----------|---|
| All tiers | The requirements of this module apply to all charities that need to account for pooled investment funds |
|-----------|---|

22.2. FRS 102 does not address how charities account for pooled investment funds. This module sets out the accounting requirements, reflecting charity law, for:

- [Common investment funds and common deposit funds](#)
- [Charitable authorised investment funds](#) (England and Wales only)
- [Accounting for pooling schemes and arrangements with common trustees](#)
- [Disclosure for pooling schemes and arrangements with common trustees](#)

### Common investment funds and common deposit funds

22.3. Common investment funds (CIFs) and common deposit funds (CDFs) are charities which accept contributions or deposits from any charity and invest these contributions or deposits to earn a return for the investing charities.

22.4. The fund managers and any corporate trustees of CIFs and CDFs are usually regulated by the financial markets' regulator in the jurisdiction(s) in which they are established.

22.5. CIFs and CDFs must not adopt the charities SORP when preparing their trustees' annual report and accounts. Instead, as collective investment schemes, CIFs and CDFs must follow any charity-specific reporting requirements set out in the regulations applying in the jurisdiction in which they are established. Charities in England and Wales must follow the Charities (Accounts and Reports) Regulations 2008 and charities in Northern Ireland must follow the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. The regulations currently require charities to also consider the Investment Association (previously the IMA) Statement of Recommended Practice.

22.6. Certain CIFs restrict participation in the fund to particular charities that are connected in some way, for example by having similar purposes but without necessarily sharing a common body of trustees. Restricted participation CIFs must not adopt the Charities SORP when preparing their trustees' annual report and accounts but instead must follow the particular reporting requirements in the jurisdiction in which they are established. Charities in England and Wales must follow the Charities (Accounts and Reports) Regulations 2008 and charities in Northern Ireland must follow the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

## **Charitable authorised investment funds (England and Wales only)**

- 22.7. Charitable authorised investment funds (CAIF) are collective investment schemes authorised by the Financial Conduct Authority (FCA) and registered as charities. A CAIF is a type of CIF but is subject to the FCA rules and supervision because it is an authorised fund.
- 22.8. A CAIF must not adopt the Charities SORP but must follow the Financial Statements of UK Authorised Funds SORP (also known as the Investment Association SORP).

## **Accounting for pooling schemes and arrangements with common trustees**

- 22.9. Charities with the same body of trustees may pool their investments to form a single investment fund, resulting in greater efficiency in the management of the investment. A pooling scheme or arrangement with common trustees may include linked charities or special trusts (England and Wales and Northern Ireland) or connected charities (Scotland). Separate charity accounts are not generally published for the pooling scheme or arrangement. Instead, the pooling scheme or arrangement must be presented as a restricted fund of the reporting charity responsible for operating the pooling scheme or arrangement.
- 22.10. The assets of the pooling scheme or arrangement are the investments held. Its liabilities are the share of these investments due to those charities or funds which have invested through the pooling scheme or arrangement. The income and costs of managing investments will accrue to the charities or funds investing in the pool. Much of this information will already be presented in the reporting charity's accounts but charities may choose to summarise this information as a note to the accounts, as set out in Table 20.

**Table 20: Analysis of fund movements for a pooling scheme**

|   | Fund/Charity<br>A | Fund/Charity<br>B | Fund/Charity<br>C | Fund/Charity<br>D | Fund/Charity<br>E | Total |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
|   | £                 | £                 | £                 | £                 | £                 | £     |
| Net assets brought forward                      |                   |                   |                   |                   |                   |       |
| Additions to investment pool                    |                   |                   |                   |                   |                   |       |
| Investment income                               |                   |                   |                   |                   |                   |       |
| Investment management expenses                  |                   |                   |                   |                   |                   |       |
| Realised investment gains/(losses)              |                   |                   |                   |                   |                   |       |
| Unrealised investment gains/(losses)            |                   |                   |                   |                   |                   |       |
| Less distributions (for charitable expenditure) |                   |                   |                   |                   |                   |       |
| <b>Net assets carried forward</b>               |                   |                   |                   |                   |                   |       |

22.11. A pooling scheme or arrangement that is registered or established as a separate charity must prepare its own accounts in accordance with this SORP and must make the additional disclosures set out in the section below.

## **Disclosure for pooling schemes and arrangements with common trustees**

22.12. This SORP requires that a charity which is a pooling scheme or arrangement preparing separate accounts must disclose:

- that the accounts presented are for a pooling scheme or arrangement
- the date and authority, if any, for the pooling scheme or arrangement (for example, a scheme registered with a charity regulator)
- the names of the charities participating in the pooling scheme or arrangement
- an analysis of the investments held within the pooling scheme or arrangement in accordance with the SORP module 10 '*Balance sheet*'
- an analysis of the investment income, gains and investment management costs in accordance with the SORP module 4 '*Statement of financial activities*'

22.13. The notes to the accounts should also provide:

- an analysis of the proportions of the funds of the pooling scheme or arrangement attributable to each participating charity or fund at the end of the reporting period
- an analysis of the fund movements attributable to each participating charity or fund, reconciling the value of funds brought forward and carried forward

22.14. An example of how the analysis of fund movements for a pooling scheme or arrangement may be presented is set out in Table 20.