

## 4. Statement of financial activities

### Introduction

- 4.1. All charities must prepare a statement of financial activities (SoFA) for each reporting period (termed statement of comprehensive income in FRS 102). The SoFA is a single financial statement that includes all income, expenses, gains, and losses recognised for the reporting period. It provides the user with an analysis of the income and endowment funds received and the expenses incurred by the charity on its activities. It also presents a reconciliation of the movements in a charity's funds for the reporting period.
- 4.2. The reporting tiers applied for module 4 are as specified in the table below.

**Table 4.1A: Tiered reporting requirements for module 4**

Tier 1	Charities within tier 1 may choose to adopt either the activity basis of reporting or the natural classification basis of reporting. This SORP requires charities within tier 1:  that have adopted the <b>natural classification</b> basis of reporting to use the format of the SoFA as presented in <b>Table 3</b>  that have adopted the <b>activity basis</b> of reporting to use the format of the SoFA as presented in <b>Table 4</b>
Tiers 2 and 3	This SORP requires charities within tiers 2 and 3 to adopt the activity basis of reporting. Charities in tiers 2 and 3 are therefore required to adopt the format of the SoFA as presented in <b>Table 4</b> .

- 4.3. FRS 102 requires that comparative information must be provided for all amounts presented in the SoFA. This SORP requires that the comparative information provided for the total funds of a charity is presented on the face of the SoFA and that comparative information for separate classes of funds is provided either on the face of the SoFA or prominently in the notes to the accounts.
- 4.4. Charities in tier 1 may report using natural classification or on an activity basis. An illustrative SoFA setting out the structure, format and suggested lines of the SoFA when prepared using natural classification is set out in Table 3. Where a charity in tier 1 adopts the natural classification basis of reporting the charity may choose its own line descriptors for the analysis of income, provided they are useful to the users of the accounts and noting the requirements of paragraphs 4.16 and 4.17 on the disclosure of material items of income.
- 4.5. This SORP requires charities in tiers 2 and 3 to report on an activity basis to show how the charity has used its resources to further its charitable aims for the public benefit.
- 4.6. The structure, format and lines of the SoFA required by this SORP when prepared on an activity basis are set out in Table 4.
- 4.7. For all charities, the SoFA should be prepared with the needs of the charity's stakeholders in mind (see the SORP module '*Accounting and reporting by charities – the statement of recommended practice (SORP) scope and application*'). This SORP requires charities reporting on an activity basis to ensure that those activities

reviewed in the trustees' annual report are also reported on the face of the SoFA, using separate rows for multiple activities or in the notes to the accounts.

- 4.8. FRS 102 does not provide accounting guidance on the presentation of charitable funds within the statement of comprehensive income provided by the SoFA. The columns in Tables 3 and 4 headed 'Further details' provide references to later sections of this module that set out those transaction(s) and, in the case of Table 4, activities falling within each of the SoFA's lines.

**Table 3: Statement of financial activities – Natural classification basis of reporting  
(note that this presentation is an option available to tier 1 charities only)**

	Unrestricted funds	Restricted income funds	Endowment funds	Total funds	Prior period Total funds	Further details
	£	£	£	£	£	£
<b>Income and endowments from:</b>						
(e.g.) Donations and legacies						A1 - A5
(e.g.) Charitable activities						A1 - A5
(e.g.) Other trading activities						A1 - A5
(e.g.) Investments						A1 - A5
(e.g.) Other						A1 - A5
<b>Total</b>						
<b>Expenses incurred:</b>						
(e.g.) Salary-related costs						B1
(e.g.) Premises-related costs						B1
(e.g.) Grants made						B1
(e.g.) Interest expense						B1
(e.g.) Depreciation						B1
(e.g.) Impairment charges						B1
(e.g.) Other expenses						B1
<b>Total</b>						
<b>Net gains/(losses) on investments in JCE and Associates</b>						B5
<b>Other net gains/(losses) on investments</b>						B5
<b>Net income/(expenditure)</b>						
<b>Transfers between funds</b>						C
<b>Other recognised gains/(losses):</b>						
Gains/(losses) on revaluation of fixed assets						D1
Actuarial gains/(losses) on defined benefit pension schemes						D2
Other gains/(losses)						D3
<b>Net movement in funds</b>						
<b>Reconciliation of funds:</b>						E
Total funds brought forward						
<b>Total funds carried forward</b>						

**Table 4: Statement of financial activities – Activity basis of reporting  
(this presentation is required for tier 2 and tier 3 charities and applicable to those charities in tier 1 who choose to use the activity basis of reporting)**

	Unrestricted funds	Restricted income funds	Endowment funds	Total funds	Prior period Total funds	Further details
	£	£	£	£	£	£
<b>Income and endowments from:</b>						
Donations and legacies						A1
Charitable activities						A2
Other trading activities						A3
Investments						A4
Other						A5
<b>Total</b>						
<b>Expenses incurred on:</b>						
Raising funds						B1
Charitable activities						B2
Other						B3
<b>Total</b>						
<b>Net gains/(losses) on investments in JCE and Associates</b>						B5
<b>Other net gains/(losses) on investments</b>						B5
<b>Net income/(expense)</b>						
<b>Transfers between funds</b>						C
<b>Other recognised gains/(losses):</b>						
Gains/(losses) on revaluation of fixed assets						D1
Actuarial gains/(losses) on defined benefit pension schemes						D2
Other gains/(losses)						D3
<b>Net movement in funds</b>						
<b>Reconciliation of funds:</b>						E
Total funds brought forward						
<b>Total funds carried forward</b>						

4.9. The module is divided into two parts as follows:

- Presentation of information
  - Structure of the SoFA – all charities
  - Accounting for material items – all charities
  - Accounting for discontinued operations – all charities
  - Structure of the SoFA –charities in tier 1 using natural classification basis of reporting
  - Structure of the SoFA – all charities reporting on an activity basis
- Line headings used in the statement of financial activities:
  - A1: Income from donations and legacies
  - A2: Income from charitable activities
  - A3: Income from other trading activities
  - A4: Investment income
  - A5: Other income
  - Analysis of income in the notes to the accounts
  - B1: Expenses incurred (natural classification analysis)
  - B2: Expenses incurred on raising funds
  - B3: Expenses incurred on charitable activities
  - B4: Other expenses
  - Analysis of expenses in the notes to the accounts (analysis on an activity basis)
  - B5: Gains/(losses) on investments
  - C: Transfers between funds
  - D1: Gains/(losses) on revaluations of fixed assets
  - D2: Actuarial gains/(losses) on defined benefit pension schemes
  - D3: Other gains/(losses)
  - E: Reconciliation of funds

# Presentation of information

## Structure of the SoFA – all charities

4.10. A charity's SoFA must:

- adopt the same format in subsequent reporting periods unless it is apparent, following a significant change in the nature of the charity's operations or a review of its financial statements that another presentation would be more appropriate. Note that a change in format from using the activity basis per Table 4 to presentation using natural classifications per Table 3 (or vice versa) is a change in accounting policy. Refer to the SORP paragraphs 3.42 - 3.45 which set out the circumstances in which a change in accounting policy is justified
- provide comparative amounts for the total funds presented on the face of the SoFA
- omit lines where there is nothing to report in either the current and preceding reporting period

4.11. The columns of the SoFA must be used to distinguish unrestricted funds, restricted income funds, and endowment funds (refer to the SORP module 2 '*Fund accounting*' for explanations of the different types of funds). Endowment funds are restricted funds which either cannot be spent (permanent endowment) or where there is no actual requirement to spend or apply the capital unless, or until, the trustees decide to spend it (expendable endowment).

4.12. All of the charity's income and expenses, transfers and other recognised gains and losses must be analysed between the classes of funds, but a charity will not necessarily have funds of all three classes.

4.13. If a class of funds is not material it may be combined with another class of funds and shown as a single total combined funds column. If a single combined total funds column is used, the heading description must be changed to 'all unrestricted and restricted funds' or 'all unrestricted, restricted and endowed funds' as appropriate. Where a single column approach is followed, the summary of fund movements must include an analysis for each class of fund for each row in the SoFA, together with a total that corresponds to the total shown in the SoFA. Refer to the SORP module 2 '*Fund accounting*' for more information.

4.14. A charity may vary the order in which it presents lines within the income and expenses sections of the SoFA to meet its own presentational needs. Some charities may also find it informative for their users to insert additional sub-totals.

4.15. A charity may add additional columns to the SoFA to present material funds or activities on the face of the statement rather than in the notes. Any additional analysis of this type provided on the face of the SoFA must make clear the class of fund (unrestricted, restricted or endowment) in the column title. In providing additional information, a balance needs to be struck between the provision of

additional information and the resulting complexity of the statement.

## **Accounting for material items – all charities**

- 4.16. All charities must disclose the nature and amount of any material item(s) of income or expense when this information is relevant to an understanding of the charity's financial performance.
- 4.17. The disclosure of material items must be made in the notes or where it is necessary for the presentation of a true and fair view by adding an additional line within the relevant heading on the face of the SoFA. For example, material items that should be disclosed separately are a material fraud or the loss of a material item of property, plant and equipment.

## **Accounting for discontinued operations – all charities**

- 4.18. A discontinued operation is a component of a charity that has been disposed of and:
- represented a separate major line of charitable activity or geographical area of operations
  - was part of a single co-ordinated plan to dispose of a separate major line of charitable activity or geographical area of operations
  - was a subsidiary acquired exclusively with a view to resale
- 4.19. Charities are established to pursue one or more charitable purposes for the public benefit. Decisions as to the use of resources and the relative priority given to the charity's aims may differ from year to year to reflect the demands placed on the charity by its beneficiaries and social and economic circumstances. Such changes in the way in which activities are provided, or goods or services are delivered, or the range or extent of the activities pursued, do not necessarily represent discontinued operations.
- 4.20. For example, a charity providing disaster relief and humanitarian assistance may operate on a global basis and carry out its activities in different countries in different years. Similarly, a charity providing services to the elderly may alter the way in which it delivers its services, for example by switching from residential care to supporting the elderly in their own homes. Neither charity is discontinuing its charitable purpose; they are fulfilling it in a different way.
- 4.21. Spending all the funds in a restricted fund does not constitute a discontinued operation.
- 4.22. In the event of a charity having a discontinued operation, an analysis of continuing and discontinued operations must be provided in the SoFA by way of additional column(s).

## **Structure of the SoFA –charities in tier 1 using natural classification basis of reporting**

- 4.23. The analysis of income and expenses by activity is encouraged for all charities preparing accruals accounts. However, charities in tier 1 are not required to report their income and expenses on an activity basis and may adopt the natural classification basis. See section A1 and B1 for further details.
- 4.24. Where the natural classification basis of reporting is adopted, this SORP requires that charities must disclose in their SoFA:
- total income of the charity
  - a relevant analysis of the components of income (see paragraph 4.4)
  - total expenses incurred by the charity
  - a relevant analysis of the components of expenses incurred
  - gains/(losses) on investments (where applicable)
  - net income/(expenses)
  - transfers between funds
  - gains on the revaluation of fixed assets (where applicable)
  - actuarial gains/(losses) on any defined benefit pension scheme (where applicable)
  - net movement in funds
  - total funds brought forward from the previous reporting period
  - total funds carried forward at the end of the reporting period
- 4.25. If a material component of income or expense is not presented on the face of the SoFA, the nature and amount of the item must be disclosed in the notes to the accounts.
- 4.26. Charities preparing their accounts using the natural classification basis of reporting must also provide those disclosures required by other modules relevant to the charity. For example, a charity must disclose any remuneration, benefits or expenses paid to trustees and any related party transactions (refer to the SORP module 9, '*Disclosure of trustee and staff remuneration, related party and other transactions*'). Table 3 illustrates how charities preparing their accounts using the natural classification basis of reporting could choose to present their SoFA.

## **Structure of the SoFA – all charities reporting on an activity basis**

- 4.27. This SORP requires that those charities reporting on an activity basis must classify their income and expenses by activity and must analyse income



according to the activity that produced the resource. Charities in tier 2 and 3 and those in tier 1 reporting on an activity basis are required to report income and expenses as set out in Table 4, sections A1 to A5 and B1 to B5 provide further information to assist charities with the analysis of income and expenses.

- 4.28. Where relevant to the understanding of material activities, the expense analysis lines should enable the user of the accounts to understand the relationship with income derived from the activity. For example:
- a charity selling donated goods through a shop could use the description 'Shops' within line A3 ('Income from other trading activities') and line B2 ('Expenses incurred on raising funds')
  - a charity running a care home could use the description 'Residential care fees' within line A2 ('Income from charitable activities') and 'Residential care costs' in line B3 ('Expenses incurred on charitable activities')
  - an arts charity providing a mix of paid-for and free services could use the description 'Admission fees for galleries and exhibitions' within line A2 ('Income from charitable activities') and use the line description 'Operation of art gallery and touring exhibitions to schools and community' in line B3 ('Expenses incurred on charitable activities')
  - an endowed grant-making charity mainly making grants to advance education could use the description 'Investment income' within line A4 ('Investment income') and 'Grants to education and research institutions, student bursaries and other grants' in line B3 ('Expenses incurred on charitable activities')
- 4.29. In most cases, it will be clear which activity generated the income or expense. Expenses shared between two or more activities should be apportioned between them on a reasonable, justifiable and consistent basis (see the SORP module 8, '*Allocating costs by activity in the statement of financial activities*').

## **Line headings used in the statement of financial activities**

### **A: Income and receipt of endowment**

- 4.30. Charities in tier 1 that adopt the natural classification basis of analysis may choose to use different descriptions for the analysis of income. See paragraph 4.4. However, charities in tier 1 may find this section helpful in determining the most appropriate line headings for the SoFA.

#### **A1: Income from donations and legacies**

- 4.31. Donations and legacies include all income received by the charity that is, in substance, a gift made to it on a voluntary basis. A donation or legacy may be for any purpose of the charity (unrestricted funds) or for a particular purpose of the

charity (restricted income funds or endowment funds).

- 4.32. Donations and legacies do not provide any significant benefit to the donor in return for their payment other than the knowledge that the charity will use the donation or legacy to further its purposes. Examples of income from donations and legacies include, but are not limited to:
- donations made by individuals and corporations, including any related tax refund or Gift Aid claimed on donations made by individuals, but excluding goods donated for resale
  - legacies receivable by the charity
  - grants of a general nature provided by government and charitable foundations which are not conditional on delivering certain levels or volumes of a service, or supply of charitable goods
  - grants and donations implicit in a lease arrangement where the charity, as lessee, benefits from lease terms where the lessor, in furthering social purposes, made the lease at significantly below market rates (see module 10B of this SORP)
  - membership subscriptions and sponsorships where these are, in substance, donations rather than payment for goods or services
  - donated goods for the charity's own use or for distribution as well as donated services and facilities

## **A2: Income from charitable activities**

- 4.33. Income from charitable activities includes income earned both from the supply of goods or services under contractual arrangements, and from grants with performance-related conditions which have conditions that specify the provision of particular goods or services to be provided by the charity. To fall within this analysis line, the activities specified by the contractual terms or grant conditions must be undertaken for the charitable purposes of the charity.
- 4.34. Examples of income from charitable activities therefore include:
- the sale of goods and services as part of the charitable activities of the charity (also known as primary purpose trading), whether the sale is intended to make a profit or is at or below cost
  - payments from government or public authorities and other parties which fund the provision of particular goods or services, for example the provision of care
  - the sale of goods or services made or provided by the beneficiaries of the charity
  - grants with performance-related conditions where the income is conditional on delivering certain levels or volumes of a service or supply of goods

- ancillary trades connected to primary purpose trading
- the letting of non-investment property in furtherance of charitable purposes

### **A3: Income from other trading activities**

- 4.35. Income from other trading activities includes income earned from both trading activities to raise funds for the charity and income from fundraising events. To fall within this analysis line, the income must be received in exchange for supplying goods and services in order to raise funds for the charity. While selling donated goods is legally considered to be the realisation of a donation in kind, in economic terms it is similar to a trading activity and should therefore be included in this analysis line.
- 4.36. Income from other trading activities includes:
- income from non-charitable trading activities, including non-charitable trading activities of subsidiary entities consolidated into group accounts
  - membership subscriptions and sponsorships where the recipient is not a beneficiary and where these are, in substance, a payment for goods or services
  - income from fundraising events that are unconnected to primary purpose trading (see paragraph 4.34) such as jumble sales, firework displays and concerts by the charity (or by volunteers working under the charity's management direction) or its agents
  - shop income from selling donated and bought-in goods
  - income from letting and licensing arrangements for property held primarily for functional use by the charity but temporarily surplus to operational requirements
  - income from sponsorships and social lotteries which cannot be considered pure donations

### **A4: Investment income**

- 4.37. Investment income is earned from holding assets for investment purposes and includes dividends, interest, rents from investment property, finance income on the net investment in a lease and income from operating leases (see module 10B '*Lease Accounting*'). Any variable lease payments not included in the measurement of the net investment in a finance lease are also included in investment income. Where income from investments is material, it must be presented as a separate line on the face of the SoFA.
- 4.38. While income must be presented gross in the SoFA before the deduction of any costs incurred, it is often not practicable for charities to identify the investment

management costs incurred within collective investment schemes, such as unit trusts or common investment funds, prior to the distribution of income. Where it is not practicable to identify the investment management costs incurred within the scheme with reasonable accuracy, the investment income should be reported net.

## **A5: Other income**

- 4.39. Other income represents income that cannot be reported under the other analysis lines provided within the SoFA. Other income may also include the conversion of endowment funds into income with the equivalent offsetting reduction to endowment funds shown as a deduction under other income in the 'Endowment funds' column. This approach may be helpful in those jurisdictions that include such items in the calculation of gross income for audit threshold purposes. Alternatively, a conversion of endowment funds into income may be included under the line item 'Transfers between funds'.
- 4.40. The conversion of endowment into income includes:
- capital funds released to an income fund from expendable endowment
  - the release of funds to income from the 'unapplied total return fund' held within the permanent endowment fund where a charity has authority to adopt a total return approach to investment
- 4.41. This line should also include all other sources of income unless the amount is sufficiently material as to require its presentation as a separate line in the SoFA. Other income may include:
- a gain on the disposal of an item of property, plant and equipment held for the charity's own use
  - any royalties from the exploitation of intellectual property rights
  - income from sub-leasing right-of-use assets
  - any other income not falling into the other income categories

## **Analysis of income in the notes to the accounts**

- 4.42. Unless analysed on the face of the SoFA, this SORP requires that the notes to the accounts must provide an analysis of the material components of income included within each analysis line of the SoFA.
- 4.43. For charities adopting the activity basis of reporting, amounts for similar activities should be aggregated so as to provide an analysis of:
- donations and legacies, distinguishing between the types of income, for example the amount of donations, grants of a general nature and legacies
  - income from charitable activities, identifying the nature of the activities

undertaken and the income produced

- income from other trading activities, identifying the nature of the trading or fundraising activity and income produced
- investment income analysed according to each class of investment shown in the balance sheet or in the investment note to the accounts
- Income from finance and operating leases
- the nature and amount of other income receivable

4.44. Where applicable, this SORP requires that the notes to the accounts must give the amount and reason for the conversion of all or part of any endowment fund converted into income in the reporting period.

## **B: Expenses**

### **B1: Expenses incurred (natural classification analysis)**

4.45. Charities in tier 1 that choose to adopt the natural classification basis of reporting will analyse expenses by their nature. For example, expenses could be analysed by salary-related costs, premises-related costs, interest expenses, transport costs and grants made. Alternatively, the headings used by the charity to record expenses in its own accounting records could be used, provided they are capable of being understood by the users of the accounts. Charities in tier 1 may find this section helpful in determining the most appropriate line headings for the SoFA.

### **B2: Expenses incurred on raising funds**

4.46. Expenses incurred on raising funds includes all expenses incurred by a charity to raise funds for its charitable purposes. It includes the costs of all fundraising activities, events, non-charitable trading activities, and the costs of selling donated goods. However, any costs incurred in providing goods or services as a charitable activity must not be included in this line, even if a charge is made for their provision.

4.47. Expenses incurred on raising funds may include those costs incurred in:

- seeking donations, grants and legacies
- operating membership schemes and social lotteries
- staging events, including the performance fees, licence fees and other related costs
- contracting with agents to raise funds on behalf of the charity
- operating charity shops selling donated and/or bought-in goods
- operating a trading company undertaking non-charitable trading activities

- advertising, marketing and direct mail materials, including publicity costs not associated with educational material designed wholly or mainly to further the charity's purposes (refer to module 8 for further information on allocating costs by activity)
  - investment management costs
- 4.48. Investment management costs include the costs of:
- portfolio management
  - obtaining investment advice
  - administration of the investments
  - costs of licensing intellectual property
  - rent collection, property repairs and maintenance charges
- 4.49. Where investment management costs are material, these costs should be presented as a separate line on the face of the SoFA or in the notes to the accounts.
- 4.50. Costs associated with acquiring and disposing of investments would normally form part of the acquisition cost of the investment or reduce the return on disposals respectively. These costs are therefore not part of investment management costs. Where investment managers deduct management fees from investment income, the charity should report the gross investment income before fees and report the management fees charged in this cost category. However, charities are not expected to prorate investment management fees charged to a collective investment scheme to identify the notional cost attributable to their own holding in the scheme.
- 4.51. Investment management costs associated with endowment fund investments should generally be charged to the endowment fund in the SoFA. Further guidance on the charging of investment management costs to endowment funds is provided in the SORP module 2, '*Fund accounting*'.
- 4.52. Fundraising costs may be incurred in starting up a new source of future income such as legacies, or in developing a supporter database. In most cases these start-up costs should not be carried forward as prepayments or deferred expenses. Instead, such costs are charged to the SoFA as incurred. Data capture costs of an internally developed database must not be capitalised. The costs of a database that has been purchased or donated to the charity can be capitalised where it is probable that it will generate economic benefits, for example in generating income, and the resulting database has a readily ascertainable cost or value.
- 4.53. Charities may choose to expand the analysis provided within this line, for example, by identifying separately 'Expenses incurred on raising donations and legacies' (A1), 'Expenses incurred on other trading activities' (A3) and 'Investment management costs' (A4), either in the SoFA or by way of an explanatory note.

### **B3: Expenses incurred on charitable activities**

- 4.54. Expenses incurred on charitable activities include all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs apportioned to charitable activities. Costs involved in negotiating contracts or grants that require the charity to provide specific charitable services should also be regarded as part of the cost of carrying out that activity.
- 4.55. Additional categories should be added to the analysis of charitable activities to identify the significant charitable activities undertaken which have been reviewed in the trustees' annual report. The categories used should reflect the activity undertaken.
- 4.56. On occasions, a subsidiary entity may undertake activities specifically to further the purposes of a parent charity, rather than as a fundraising activity. Expenses incurred by a subsidiary on activities that fall within the parent charity's purposes should be analysed as charitable activity when consolidated accounts are prepared.
- 4.57. Charities may carry out their activities through a combination of direct-service provision and the grant funding of third parties to undertake work that contributes to the charity's aims or programme of work. The cost of charitable activities presented in the SoFA includes the costs of both direct-service provision and the payment of grants. Charities making grants must refer to the SORP module 16, '*Presentation and disclosure of grant-making activities*', which sets out the particular disclosures required for grant-making in the notes to the accounts.

### **B4: Other expenses**

- 4.58. Other expenses include all expenses that are neither related to raising funds for the charity, nor part of its expenses incurred on charitable activities. Where an amount is material or its presentation on the face of the SoFA is necessary for an understanding of a charity's financial performance, an additional line should be used.

### **Analysis of expenses in the notes to the accounts – activity basis**

- 4.59. This SORP requires that for charities analysing expenses on the activity basis, the notes to the accounts must provide a relevant analysis of the activities included within each expense line provided on the face of the SoFA. The analysis provided should aggregate the cost of similar activities and provide the user of the accounts with an understanding of the charity's main activities.
- 4.60. This SORP also requires that the analysis must give details of the support costs charged to an activity and the cost of grant funding to third parties that have been included within the cost of charitable activities. The total provided within the analysis must reconcile with the amounts presented within the relevant expenses lines of the SoFA. This information may, for example, be presented in a tabular

format. An illustrative example of a tabular format that charities may wish to use is presented below in Table 5.

- 4.61. Paragraph 8.13 of the SORP module 8 '*Allocating costs by activity in the statement of financial activities*' requires the disclosure of the accounting policy adopted by the charity for the apportionment of costs between activities and any estimation technique(s) used to calculate their apportionment. Charities may choose to include this disclosure alongside analysis of expenses incurred on charitable activities as illustrated in the column headed 'Basis of Apportionment' in Table 5.

**Table 5: Analysis of expenses incurred on charitable activities**

	Activity 1	Activity 2	Activity 3	Total	Basis for Apportionment
	£	£	£	£	
Activities undertaken directly					
Grant funding of activities					
e.g Salaries and wages (indirect)					Text describing method
eg Fundraising costs					Text describing method
eg IT costs					Text describing method
<b>Total</b>					

- 4.62. Paragraph 8.13 of module 8, '*Allocating costs by activity in the statement of financial activities*', also requires disclosure of:

- the total amount of support costs incurred in the reporting period
- an analysis of material items or categories of expense included within support costs with the total amount of governance costs incurred, separately identified (refer to Appendix 1, 'Glossary of terms' for the definition of governance costs)
- the amount of support costs apportioned to each of the charity's significant activities as disclosed in the SoFA or in the notes to the accounts

An illustrative example of a tabular format that charities may wish to use is presented below in Table 6.



**Table 6: Analysis of support costs**

Support cost (examples)	Raising funds	Activity 1	Activity 2	Activity 3	Grand Total	Basis of allocation
	£	£	£	£		
Governance	x	x	x	x	x	Text describing method
Finance	x	x	x	x	x	Text describing method
Information Technology	x	x	x	x	x	Text describing method
Human Resources	x	x	x	x	x	Text describing method
<b>Function/ Activity Total</b>	x	x	x	x	x	

### **B5: Gains/(losses) on investment assets**

4.63. This line is used to record any realised and unrealised gains or losses on investment assets and investment properties, including those gains or losses arising from their revaluation in the reporting period and any profit or loss on the disposal of finance leases. Gains and losses on social investments will be recorded in this line. Gains and losses on jointly controlled ventures and associates must be shown as a separate line.

### **C: Transfers between funds**

4.64. All transfers between the different classes of funds must be shown in the transfer line of the SoFA. The transfer line must always net to nil. Refer to the SORP module 2, '*Fund accounting*' for more information.

4.65. The transfer line may also be used to record the conversion of endowment funds (including the release of any unapplied total return where a total return approach to investment is adopted) into income. Alternatively, charities may choose to present the conversion of endowment funds in row A5 ('Other income').

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

#### **D1: Gains/(losses) on the revaluation of fixed assets**

4.66. This line includes gains or losses on the revaluation of property, plant and

equipment, heritage assets and intangible assets used by a charity. This line must not be used when adjusting for a reversal in a previous charge for impairment.

## **D2: Actuarial gains/(losses) on defined benefit pension schemes**

- 4.67. This line is used to record actuarial gains or losses on defined benefit pension schemes and post-employment benefit plans.
- 4.68. Charities which operate defined benefit pension schemes must refer to the SORP module 17, '*Retirement and post-employment benefits*', which provides recommendations on the recognition of pension costs, assets and liabilities and their disclosure in the accounts.

## **D3: Other recognised gains/(losses)**

- 4.69. A charity must insert additional lines to report any other gains and losses required by accounting standards or which company law (when the charity is a company) requires to be recognised outside of a charity's income and expenditure account.
- 4.70. Items presented within this category include:
- where hedge accounting is adopted the portion of the change in fair value of the hedging instrument that cannot be recognised as income or expense should be recognised as other gains/(losses)
  - foreign exchange gains or losses arising on conversion of non-monetary assets at the end of the reporting period where the valuation, gains or losses on those assets are not accounted for in lines B4, D1 and D2

## **E: Reconciliation of funds**

- 4.71. This SORP requires that the opening and closing balances for each class of fund must be shown, with the difference reconciled by the movement in funds in the reporting period. The closing fund balances presented in the SoFA must agree with the equivalent totals shown in the 'Funds of the charity' section in the balance sheet.