

## 6. Donated goods, facilities and services, including volunteers

### Introduction

6.1. The reporting tiers applied for module 6 are as specified in the table below.

**Table 6.1A: Tiered reporting for module 6**

All tiers	The requirements for donated goods, facilities and services, including volunteers in this module apply fully to all charities.
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6.2. The donation of goods, facilities and services (including the services of volunteers) to a charity provides an economic resource for use by the charity to further its aims and objectives. Income is recognised by a charity in its accounts for goods, facilities and services donated to it once the appropriate criteria are met.

6.3. This module deals with how goods, facilities and services donated to charities are recognised, measured and disclosed in their accounts and sets out:

- [Recognition criteria](#)
- [Measurement bases](#)
- [Accounting for donated facilities and services](#)
- [Accounting for volunteers](#)
- [Accounting for donated goods and services capitalised as tangible fixed assets](#)
- [Accounting for donated goods for distribution to beneficiaries](#)
- [Accounting for donated goods for resale](#)
- [Disclosures in the notes to the accounts](#)

Charities should refer to Section 34, paragraphs PBE34.64 to PBE34.74 of FRS 102 for more information.

### Recognition criteria

6.4. A charity must recognise receipts of donated goods, facilities and services when the value of the income, or economic benefits to the charity from non-cash items, can be measured reliably and when:

- it is receivable or received, whichever is the earlier
- performance related conditions have been satisfied for income that is subject to such conditions

When resources are received or receivable before the performance-related conditions are satisfied, a liability is recognised, but see 6.6 below.

6.5. In circumstances where a physical or financial asset is gifted, a charity can identify

when it is received because this is when the charity has title or physical custody of the asset. Income from a gift or donation will be receivable where for instance a physical or financial asset is gifted in advance of actually coming into the charity's possession and other than the passage of time, there are no conditions that must be satisfied before the charity will receive the asset.

- 6.6. Where a gift takes the form of volunteer time, the charity does not have control over the resource but it has the right to control how the volunteer resource is used at the time the donation of volunteer time is received by the charity. Charities are not expected to be able to reliably measure and therefore recognise, many of the contributions made by volunteers but where for instance, the service provided by a volunteer would be normally provided as part of their trade or profession for a fee, it would be capable of reliable measurement and therefore will be recognised at the time it is received. For example, a professional accountant volunteering to be an unpaid independent examiner acts on the charity's instruction, or a coding expert offering to develop a free website develops the website to the charity's specification.
- 6.7. Donated goods, facilities and services are unlikely to be subject to performance-related conditions. A restriction on the use of a donation does not prevent its recognition as income. For more information on restricted funds, refer to the SORP module 2.
- 6.8. Commercial discounts offered in the normal course of trade that reduce the price paid by the charity for a good or service must not be accounted for as a donation in the charity's accounts. This is because it is an inducement to the charity to make a purchase by lowering the price paid.
- 6.9. Donated goods must only be recognised as income when the value of the incoming resources can be measured reliably. If the fair value of donated goods can be measured reliably, charities must recognise income from donated goods when received or receivable. In some cases it may be impracticable to estimate the value of the donated goods with sufficient reliability when the goods are received; for example, in the case of high volume, low value second-hand goods donated for resale. Refer to paragraph 6.12 for further information.

## **Measurement of donated goods**

- 6.10. Donated goods must be measured at their fair value. The fair value of resources received or receivable is usually the price that the entity would have paid on the open market for an identical or comparable resource. (For additional guidance where there is no readily available market price refer to Section 2A of FRS 102 for the accounting treatment.)
- 6.11. When there is no direct evidence of fair value for an equivalent item, a value may be derived from:
  - identifying what the economic benefits will be from using the donated asset in its highest and best use, a proxy for which is the probable income obtainable were it sold to another market participant that would use the asset in its highest and best use
  - the cost of the item to the donor
  - in the case of goods that are expected to be sold, the estimated

resale value after deducting the cost to sell the goods

- 6.12. If it is impracticable to measure the fair value of goods donated for resale or distribution at the point the goods are received, the donated goods must be recognised as income when they are sold or distributed.
- 6.13. The terms of a donation may require the charity to make on-going use of the donated item, so preventing its sale. In such instances, there may be costs involved in removing such a restriction before the asset could be sold. This would be reflected in a lower assessment of the fair value amount than if the use of that asset was not restricted. Charities may find it helpful to refer to paragraph 2A.4 of FRS 102 for more information.
- 6.14. The stock of any goods donated for distribution to beneficiaries held by the charity at the balance sheet date is measured at the lower of cost and estimated selling price. If the goods are held for free distribution or for distribution at a nominal amount, the carrying amount must be the lower of cost adjusted for any loss of service potential, if applicable, and replacement cost. Replacement cost is the cost that would be incurred if the charity was to replace the service potential of the donated goods at its own expense in the most economic manner. Service potential is the capacity to provide services that contribute to the charity's objectives without necessarily generating cash inflows.

## **Accounting for donated facilities and services**

- 6.15. If a charity is given facilities and services for its own use which it would otherwise have purchased, these donations must be recognised in the charity's accounts when the donations are received or receivable assuming there are no performance related conditions specified.
- 6.16. Donated facilities and services are measured at the value of the donation to the charity. Donations of facilities such as office accommodation, or services provided by an individual or an entity as part of their trade or profession can usually be measured reliably.
- 6.17. The value of donated facilities and services to the charity is the price the charity estimates it would have paid in the open market for a service or facility of equivalent utility (economic benefit or service potential benefit) to the charity. The value to the charity may be lower than the market price, but cannot exceed the market price of the item. The value to the charity may be lower than the market price because the service or facility received was a premium service but the charity would otherwise only have paid for a standard service, and so the value to the charity may be the value of a standard service. Where the charity would not have purchased the service or facility at all had it not been donated, the value to the charity is expected to be nil.
- 6.18. Where donated facilities and services are consumed immediately by the charity, an amount equivalent to the income is recognised as an expense under the appropriate heading in the statement of financial activities (SoFA). Where consumption of the donated facilities and services by the charity is not immediate, an amount equivalent to the income is recognised as an asset.

- 6.19. A charity leasing a facility or service as a lessee must, where the lease contains a non-exchange transaction recognise the difference between the value in use to the charity and the lower rate charged as a donation to the charity. Refer to module 10B *Lease Accounting* for more information on the accounting treatment.

## **Accounting for volunteers**

- 6.20. Charities often rely on the contribution of unpaid general volunteers in carrying out their activities. However, placing a monetary value on their contribution presents significant difficulties. For example, charities might not employ additional staff were volunteers not available, or volunteers might complement the work of paid staff rather than replace them. These factors, together with the lack of a market comparator price for general volunteers, make it impracticable for their contribution to be measured reliably for accounting purposes. Given the absence of a reliable measurement basis, the contribution of general volunteers must not be included as income in charity accounts.
- 6.21. However, it is important that the user of the accounts understands the nature and scale of the role played by general volunteers. Charities must refer to the SORP module 1 for details of information to be included in the Trustees' annual report.

## **Accounting for donated goods and services capitalised as tangible fixed assets**

- 6.22. Goods donated for on-going use by a charity in carrying out its activities are recognised as tangible fixed assets with the corresponding gain recognised as income from donations within the SoFA.
- A charity leasing an asset from a lessor where the lease contains a non-exchange transaction must recognise the difference between the lease at market rates and the lower rate charged as a form of a donation by enhancing the measurement of the value of the right-to-use asset above the value of the recognised lease liability. Refer to module 10B *Lease Accounting* for more information on the accounting treatment.
- 6.23. If donated services are used in the construction of a tangible fixed asset, the value of services donated will only form part of the construction cost of the asset when the value to the charity of the donated services can be measured reliably. For example, the services donated by a firm of building or electrical contractors would be valued because these services would normally be provided as part of the donor's trade.
- 6.24. In common with any other tangible assets, donated goods held as tangible fixed assets must be subject to depreciation or amortisation and assessed for indications of their impairment at the reporting date.

## **Accounting for donated goods for distribution to beneficiaries**

- 6.25. Donated goods held by the charity for distribution to its beneficiaries must be recognised as stock, with the corresponding income recognised within donations and measured at their fair value.
- 6.26. It may be necessary when valuing the donation to consider any restriction on the sale of the asset or the factors that may reduce the fair value of the asset, such as proximity to a product expiry date or the availability of lower-cost substitutes for the donated item, for example a generic version of a drug. Donated goods held in stock for distribution must be assessed for impairment at the reporting date following the requirements outlined in paragraph 6.24.
- 6.27. In the reporting period in which the stocks are distributed, they are recognised as an expense in the SoFA. The expense recognised is the carrying amount of the stocks at the point of distribution.

## **Accounting for donated goods for resale**

- 6.28. In accepting donated goods for resale, the charity is receiving a gift in kind on trust for conversion into cash to fund the charity's activities. Where practicable, donated goods for resale are recognised when received or receivable, and measured at fair value. The fair value is likely to be the expected proceeds from sale less the expected costs of sale.
- 6.29. Charities accepting goods for resale under the UK retail Gift Aid scheme are acting as agent in selling the goods on behalf of the donor and are in law entitled only to an administration fee until such time as the donor waives their entitlement to the sale proceeds. Charities which have historical data may use an estimation technique to recognise income from such arrangements from the point of sale, for example by applying a formula or mathematical model to estimate the likely amount of the donations that will result from their subsequent sale. Income may be recognised from the point of sale where this reflects the substance of the transaction provided the income recognised is adjusted to reflect the risk that some sales will not result in a donation. Where a donor does not waive their entitlement to the sale proceeds, the administration fee is analysed as 'Income from other trading activities' in the SoFA.
- 6.30. Where donated goods for resale are not recognised as income until they are sold, the proceeds of sale are categorised as 'Income from other trading activities' in the SoFA.
- 6.31. If recognised at fair value on receipt, the value of the donated goods for resale should be treated as a component of 'Income from other trading activities' with the corresponding stock recognised in the balance sheet. On its sale the value of the stock is charged against 'Income from other trading activities' and the proceeds of the sale are also recognised as 'Income from other trading activities'.

## Disclosures in the notes to the accounts

6.32. All charities receiving donated goods, facilities or services must disclose in the notes to the accounts:

- the accounting policy for the recognition and valuation of donated goods, facilities and services
- the nature and amounts of donated goods, facilities and services receivable from non-exchange transactions recognised in the accounts, for example seconded staff, use of property etc
- any unfulfilled conditions or other contingencies attaching to resources from non-exchange transactions that have not been recognised as income in the reporting period
- an indication of other forms of resources from non-exchange transactions from which the charity has benefitted but not recognised in its accounts, for example the contribution of unpaid general volunteers or donated goods that have been received but which the entity does not expect to recognise until the goods are sold or distributed