



Implementing Charities SORP

31 January 2019

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Charities SORP | Content

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2. Overview of Charities SORP
3. Key Areas of Charities SORP
4. Challenges in first time adoption
5. Where do I start?
6. Q&A



1.

An Introduction

Angela Monahan

Senior Manager
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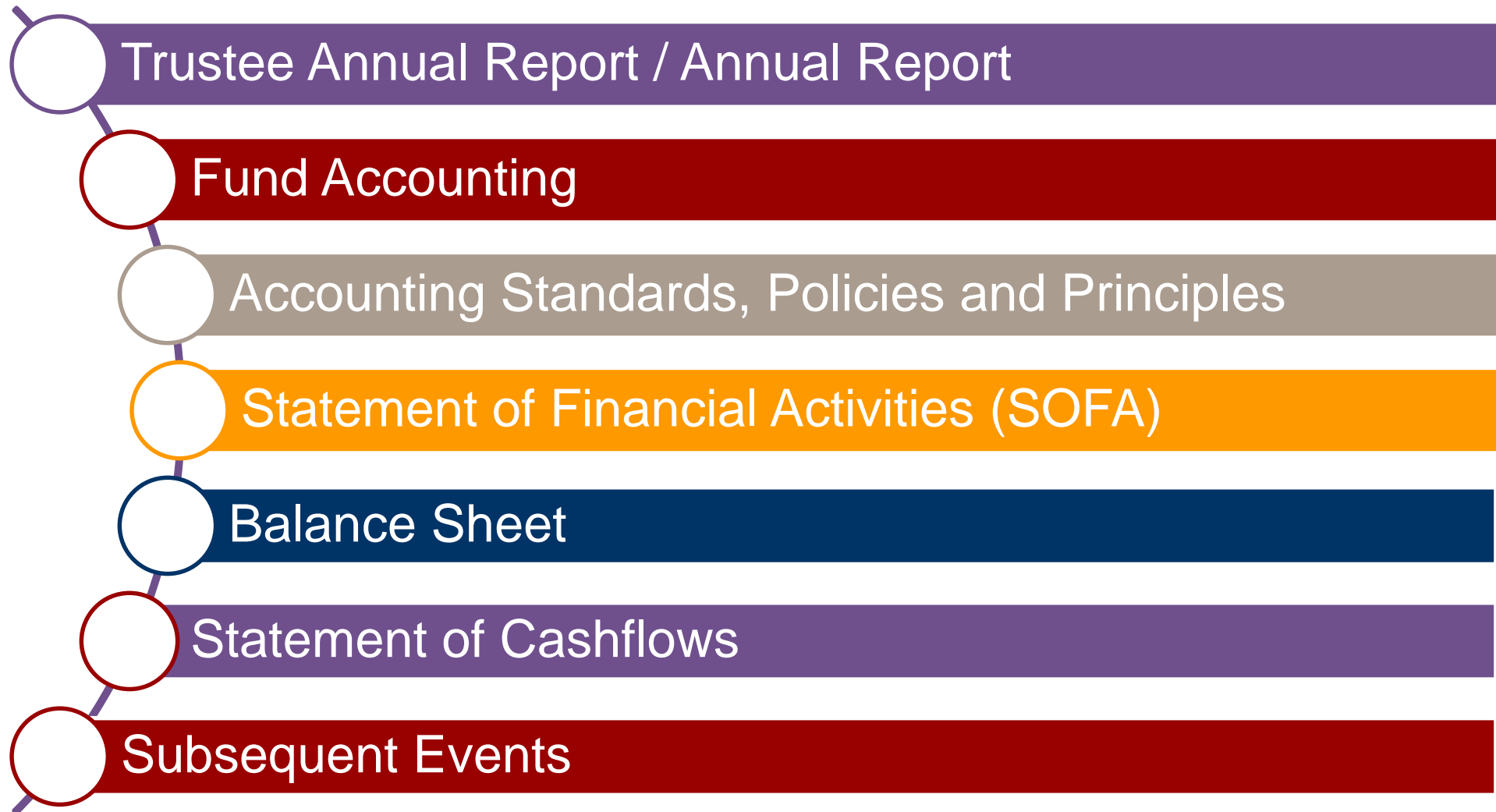


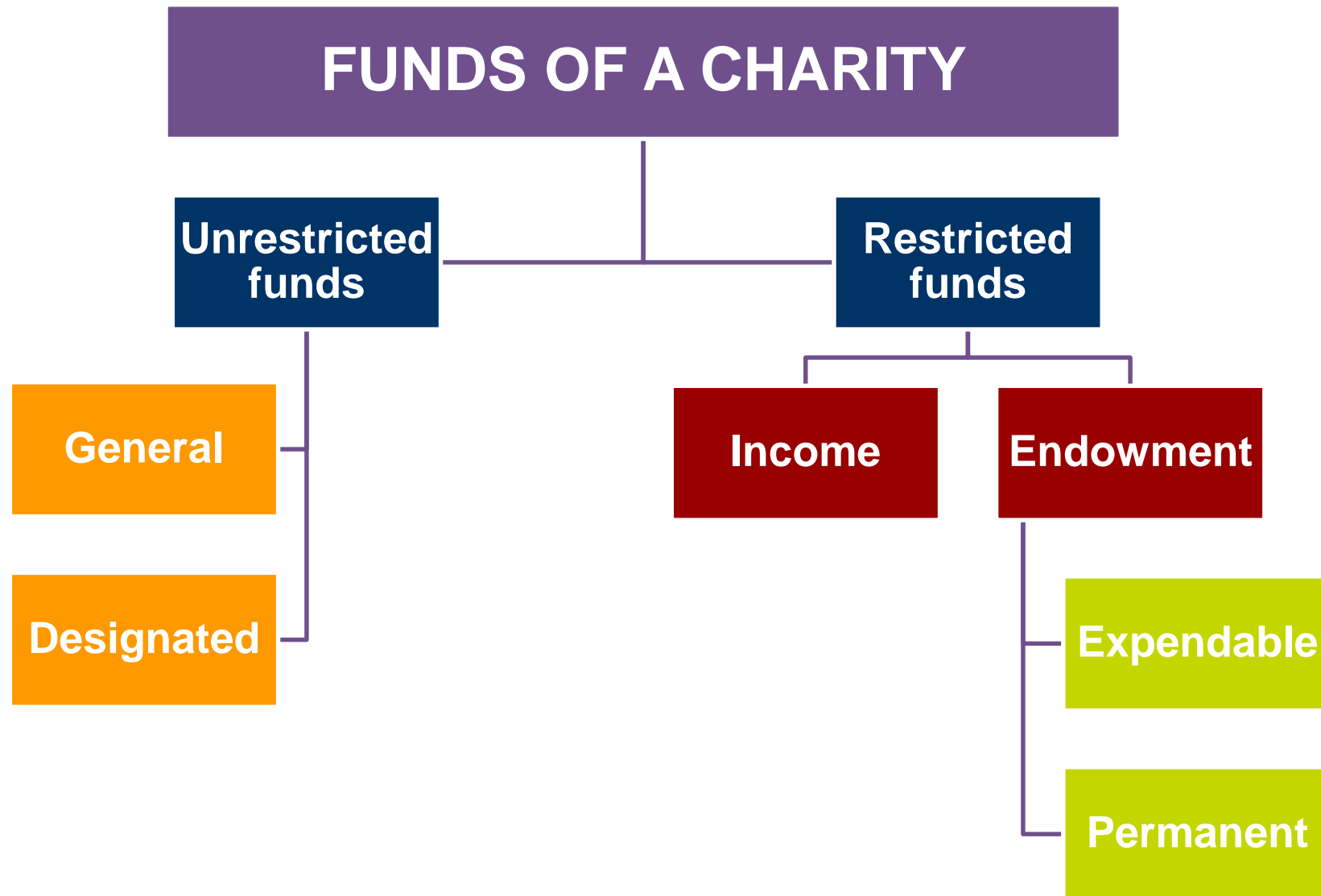
- Institute of Chartered Accountants
- Certificate in Charity Law, Trusteeship and Governance
- Member of Mazars Ireland Not for Profit team
- Participates in the technical screening for the Good Governance Awards
- Provides external audit, financial reporting advisory, technical accounting, regulatory and other assurance services to Not for Profit clients



2.

Overview of Charities SORP





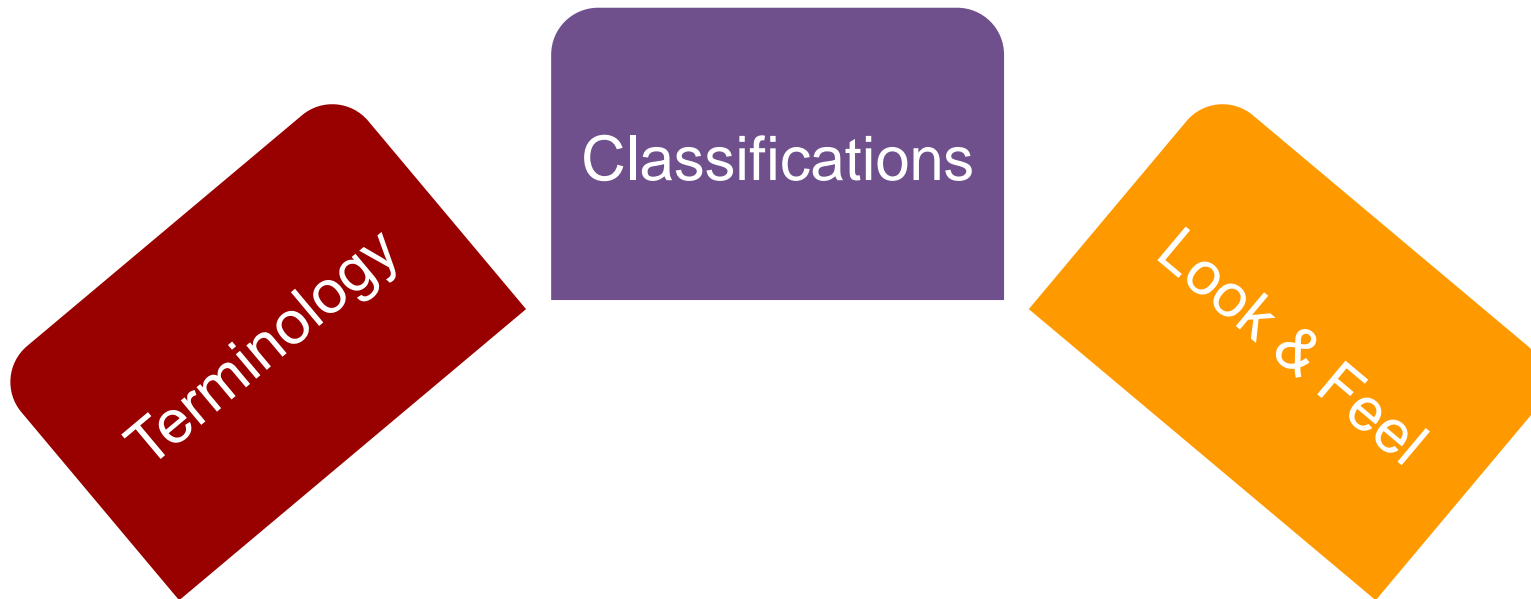
Reconciliation of funds by activity

Analysis of the funds of the charity

Purposes of each fund

Material transfers

See attached handout



Charities SORP | Notes to the Accounts

Directors /
Trustee
Remuneration

Staff costs

Allocation of
overheads

Contribution
of
volunteers

Expenses
paid to
Trustee /
Directors

Ex Gratia
payments

Analysis of
income &
expenditure

Donated
goods and
facilities

CEO
Remuneration

Related
Party
Transactions



3.

Key Areas of Difference

Charities SORP | Key Areas of Difference

Income

Expenditure

Funds

Regulation
&
Governance

Trustee
Annual
Report

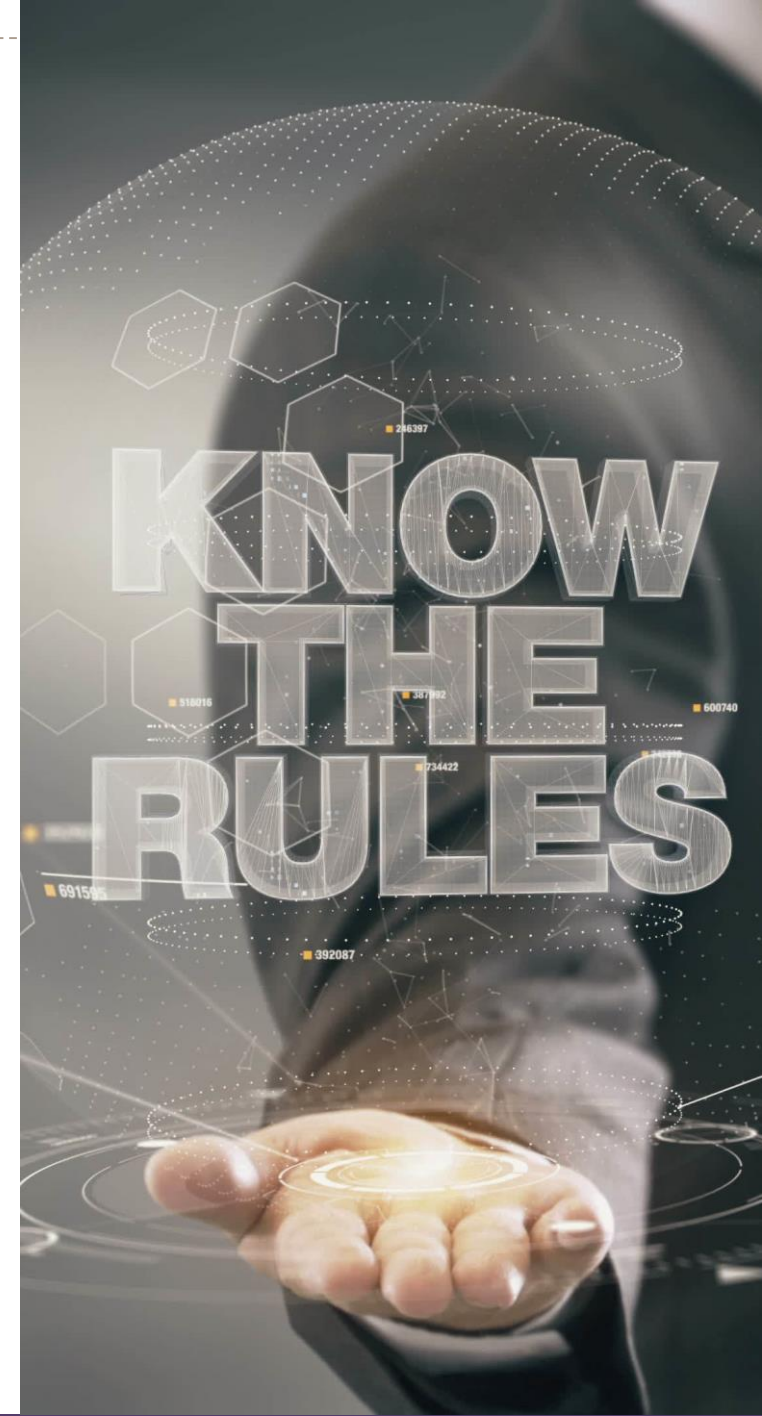
Recognition of Income

- Donations and legacies
- Charitable activities
- Other trading activities
- Investments
- Other



Recognition of Income

- The use of the accrual model for accounting for grants is not permitted under Charity SORP



Charities SORP | Key Areas of Difference

Illustrative Example

A charity has received a grant towards capital expenditure of €100,000. The estimated useful life of the asset acquired is 10 years.

- How will this look under FRS 102, and in line with existing Company Law?
- How will this be accounted for under Charity SORP?



Charities SORP | Key Areas of Difference

FRS 102

Step 1: Record the grant

DR Bank 100,000

CR Deferred Grant 100,000

Step 2: Purchase the asset

DR Asset 100,000

CR Bank 100,000

Step 3: Depreciate the asset

DR Depreciation Expense 10,000

CR Accumulated Depreciation 10,000

Step 4: Amortise the grant

DR Deferred Grant 10,000

CR Amortisation 10,000



Charities SORP | Key Areas of Difference

Charities SORP

Step 1: Record the income

DR Bank 100,000

CR Income 100,000

Step 2: Purchase the asset

DR Asset 100,000

CR Bank 100,000

Step 3: Depreciate the asset

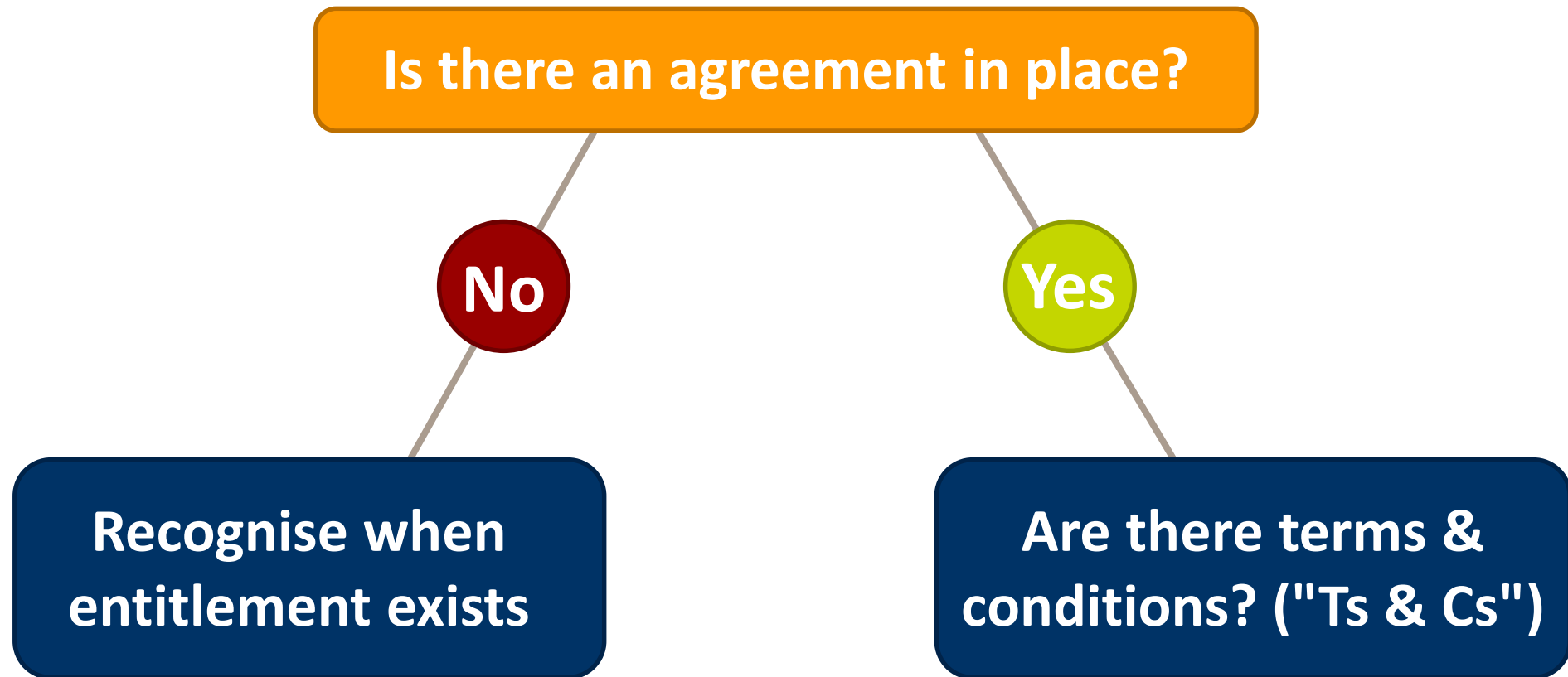
DR Depreciation Expense 10,000

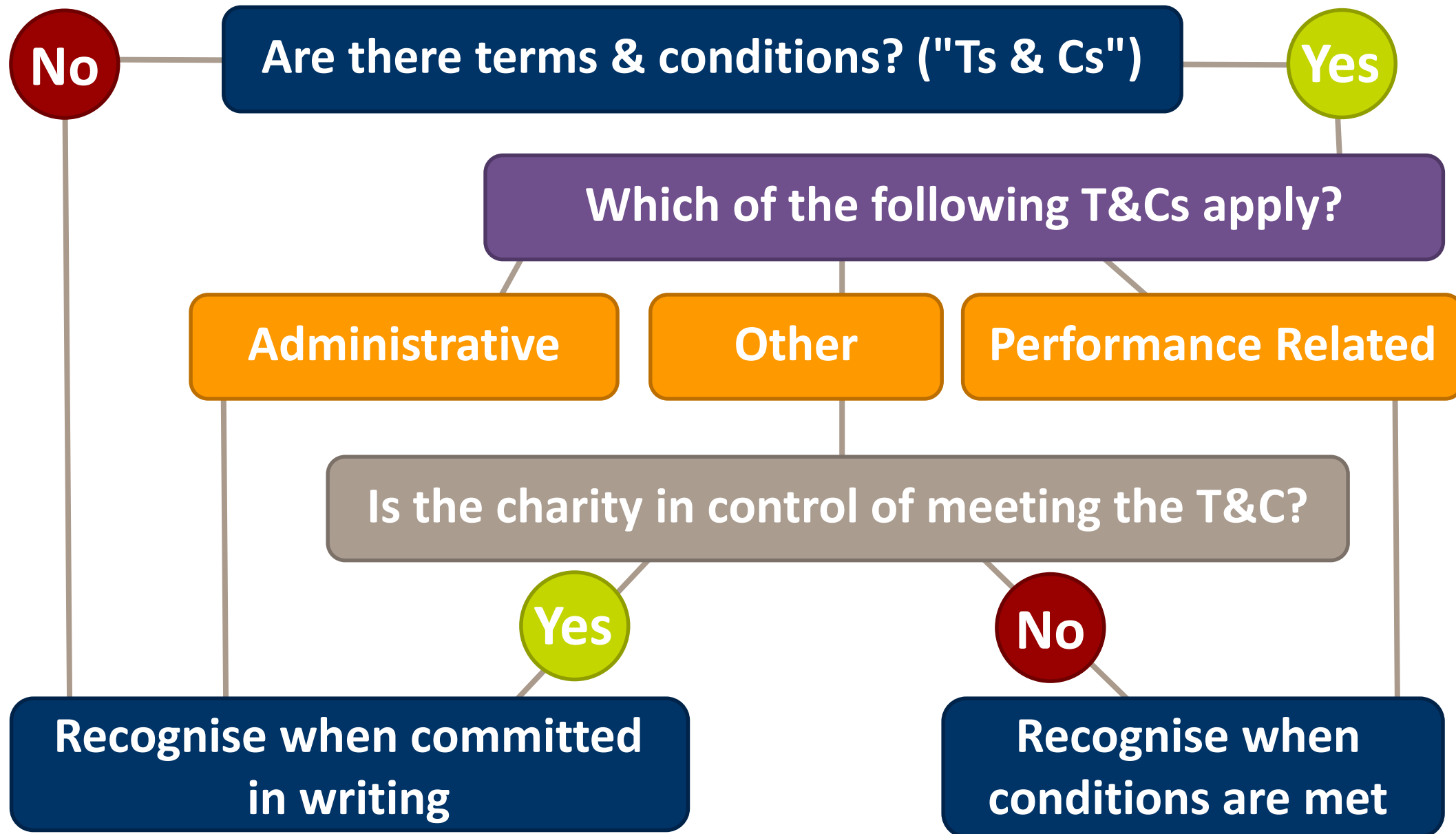
CR Accumulated Depreciation 10,000



Charities SORP | Key Areas of Difference

	SORP Treatment	FRS 102 Treatment
SOFA		
<u>Income and endowments from</u>		
Charitable activities	100,000	-
<u>Expenditure on</u>		
Charitable activities	- 10,000	-
Net surplus	90,000	-
BALANCE SHEET		
Fixed assets (NBV)	90,000	90,000
Deferred income - capital grants	-	90,000
Net Assets	90,000	-
Total Funds	90,000	-





Analysis of Grant Agreements

- Deferred Income
 - Example 1
 - Example 2



Expenditure

- SORP Analysis
 - Charitable Activities
 - Cost of Raising Funds
 - Other
- Allocation of costs
 - Direct costs
 - Shared costs
 - Support costs



Expenditure

- Support Costs
 - Governance costs
 - Payroll admin
 - Budgeting/accounting
 - IT
 - Personnel – HR
 - Finance
- Methods of allocating costs
 - Usage
 - Per capita
 - Floor area/capacity
 - Time



Donated Goods, Services and Facilities

- Recognition criteria
- Measurement bases
- Donated assets



Funds

Fund Name	Fund balances brought forward	Income	Expenditure	Transfers	Gains and losses	Fund balances carried forward
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Unrestricted

Restricted income

Restricted endowment

Notes to the accounts

- Purposes of each fund and restrictions imposed on each fund;
- Reasons for any material transfers;
- Where endowment has been converted to income, details of the amount converted and the legal power for its conversion;

Trustee Annual Report

Objectives &
Activities

Financial
Review

Reference &
Administration
Details

Funds held as
a custodian

Achievements &
Performance

Structure,
Governance &
Management

Exemptions
from Disclosure

Plans for
future periods

Regulation & Governance

- Compliance with other legislation – Governance Code, Internal Financial Controls, Fundraising Principles
- Areas of Governance:
 - Organisational chart
 - Strategic plan
 - Risk register
 - Policies & Procedures



4.

Challenges of Implementation





5.

Where Do I Start?

Charities SORP | Where Do I Start?

- What is the nature of my funding?
- Can I decipher what funding is restricted or unrestricted?
- What makes up my current level of reserves?
- Do I have the appropriate personnel and resources to implement SORP?
- What is the capacity of my accounting system to implement fund accounting?



Divide and Conquer

To do list – short term

- Review of current and historic funding arrangements and contracts in place
- Review and analysis of existing reserves
- Identify any prior year adjustments on transition to SORP
- Identification of activity streams
- Update of nominal ledger cost centres
- Review of management reporting package

Divide and Conquer

To do list – medium - long term

- Establish a strategic plan
- Review governance structures, make up of boards and committees, relevance and expertise
- Establishment of organisational risk register and strategy for identification and mitigation of the key risks facing the organisation
- Start to draft the headings and content for Annual Report
- Review and documentation of robust policies and procedures
- Develop skill in impact reporting



6.

Q&A Discussion

Contact Us

Should you require any further information, please contact our charities team:

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