

# **YOUTH INVESTMENT FUND**

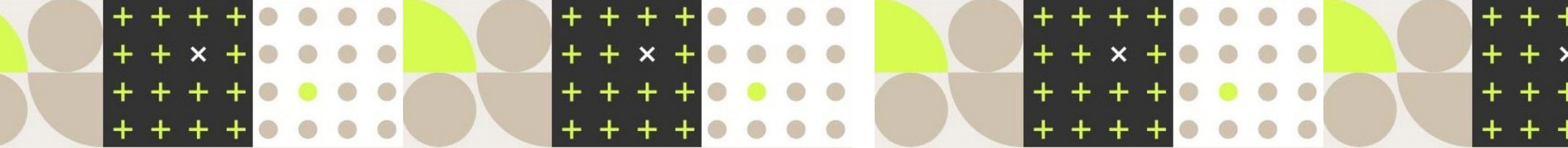
**SORP 2026**

**SORP Changes Made Simple**

**An overview and implications for YIF grantees**

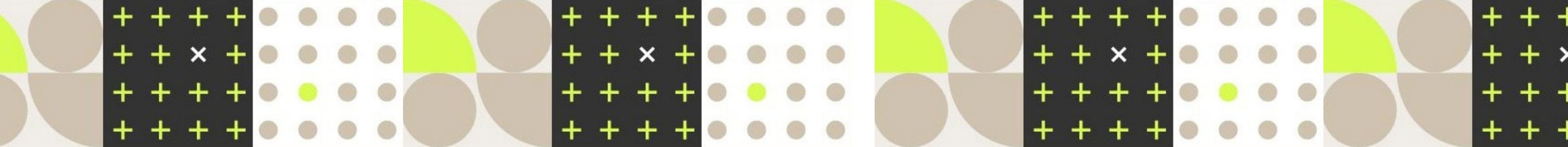
**Neal Trup**

**18<sup>th</sup> February 2026**



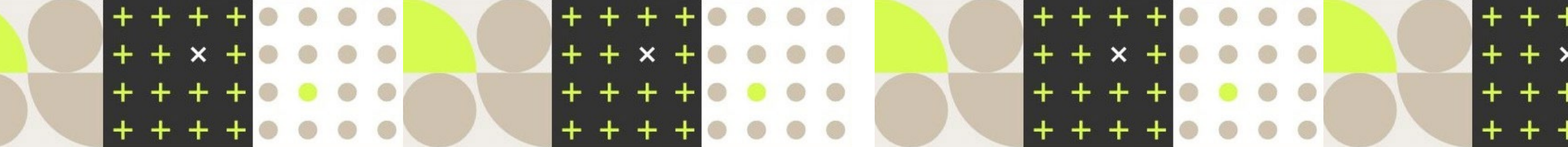
## Neal Trup

- Chartered Accountant
- Charities and not for profit sector expertise
- Lead adviser/trainer for financial management for YIF central support offer
- Member of the Charities SORP Committee with a remit for representing small charities



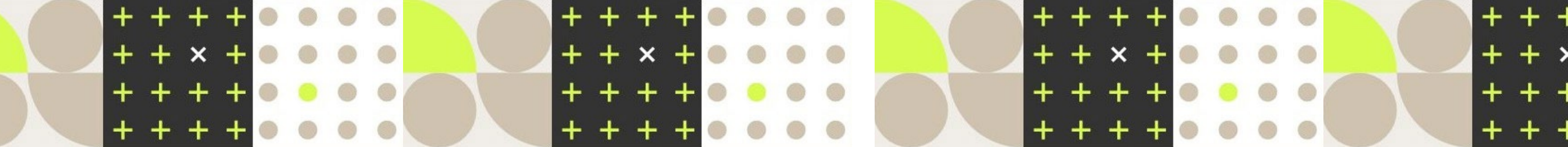
## AGENDA

- Thresholds and tiers
- Trustees annual report
- Income recognition
- Leasing
- Transition
- Non-charities
- Preparation



## The impact of different accounting - Key differences (FRS102/SORP 2018)

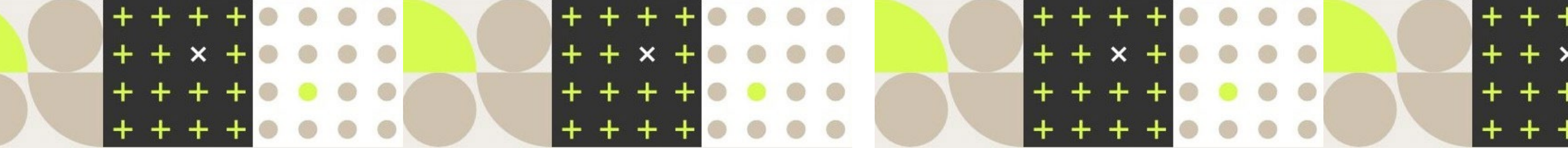
Accounting	Charity SORP (2018)	Charity Receipts & Payments	Non-charity FRS102 (2018)	Non-charity FRS105 (2018)
<b>Narrative reporting</b>	Full Trustee's Annual Report (TAR)	CIO - full TAR, UA, reduced TAR	Minimal Director's report /CIC34	No Director's report
<b>Basis of accounts</b>	Accruals	Cash accounting	Accruals	Accruals
<b>Accounting policies</b>	Based on true & fair	None	Based on true & fair	Minimal
<b>Fund accounting</b>	Restricted and unrestricted funds separated	Cash-based restricted and unrestricted funds separated	No	No
<b>Grants and donations</b>	Entitlement/control basis Unspent grant shown in funds	Cash basis	Accruals <b>or</b> performance basis Unspent grant shown as deferred income	Accruals basis only, in line with costs
<b>Balance sheet</b>	Full balance sheet and detailed notes	Statement of assets & liabilities	Full balance sheet & some notes	Summary balance sheet
<b>Income &amp; Expenditure /P&amp;L</b>	Statement of Financial Activities (SOFA) and activity reporting	Receipts and Payments summary	Profit & Loss account	Not normally included



## Financial thresholds in charity law

### Reporting and accounting thresholds (England and Wales)

Threshold	Current level	From Oct 2026 (tbc)
Independent Examination (gross annual income).	<b>£25,000</b>	£40,000
Qualification requirements for independent examiners (gross income)	<b>£250,000</b>	£500.000
Receipts and payments accounts (max income for non-company charities)	<b>£250,000</b>	£500.000
Audit of accounts of larger charities (income)	<b>£1m</b>	£1.5m
The value of assets over which account auditing requirements apply where gross annual income is less than £1m.	<b>£3,26m</b>	£5m
Aggregate income for group accounts	<b>£1m</b>	£1.5m
The gross aggregate income of a charity group over which audit requirements apply.	<b>£1m</b>	£1.5m



## CHARITIES SORP 2026

(October 2025)

Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland

(FRS 102)

(effective 1 January 2026)

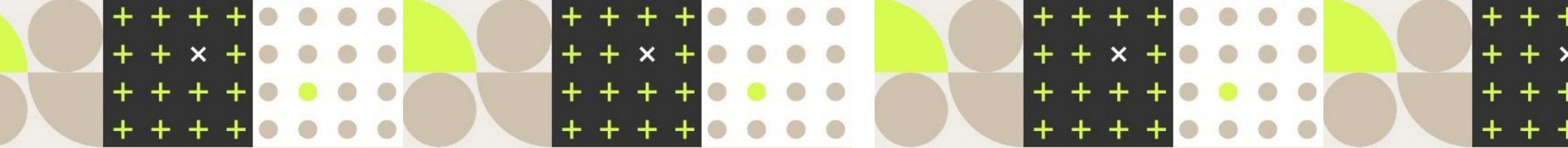


CHARITY COMMISSION  
FOR ENGLAND AND WALES



# Changes to Charity Accounting

**YOUTH  
INVESTMENT  
FUND**



## Charities SORP 2026

### *Key changes Effective accounting periods beginning on or after 1<sup>st</sup> Jan 2026*

- Introduction of an income based **3-tier reporting regime** and with the SORP modules structured to provide clarity as to requirements for each tier
- New and **enhanced disclosures** in the trustees' annual report for future plans, sustainability and volunteers. New **prompt questions** to help preparers meet the trustees' annual report requirements
- Updated definition of **reserves** and reconciliation in the annual report
- New example for the **natural classification** reporting option for small charities
- Inclusion of the FRS102 five-step **income recognition** model for contracts
- Updates and clarifications to **recognition criteria for non-exchange income** such as grants, donations and legacies as well as some additional disclosure requirements
- New on-balance sheet and disclosure requirements for **operational leases**
- **Statement of cashflows** to be required only where income is above £15m

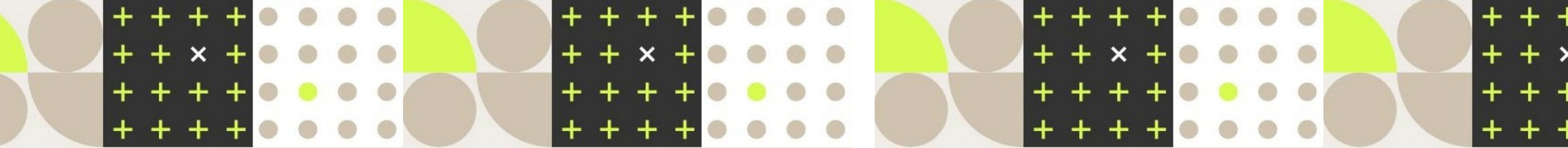
# The impact of different accounting - Key changes from 2026

Accounting	Charity SORP 2026	Charity Receipts & Payments	Non-charity FRS102 2026	Non-charity FRS105 2026
<b>Narrative reporting</b>	Reconciliation of reserves and enhanced disclosures for future activities, volunteers, outcomes and sustainability	No changes at present (new guidance has been promised). . Threshold to increase to £500k (Oct 2026)	No changes as already minimal	No change as director's report not required
<b>Accounting policies</b>	Updated policies to reflect relevant changes such as for legacies, income recognition and leases	No changes at present	Will need to be updated to reflect changes to income recognition and leases	Minimal
<b>Grants and donations</b>	Based on received / receivable and probable	No change to cash basis	No change to accruals / performance basis	No change
<b>Balance sheet and notes</b>	Leases as assets and liabilities, plus contract assets & liabilities	No change to statement of A&L	Leases as assets and liabilities, plus contract assets & liabilities	Contract assets & liabilities
<b>Income &amp; Expenditure /P&amp;L</b>	Changes to income recognition. Rent replaced by depreciation & interest	No changes as cash basis	Changes to income recognition and rent / leases	Changes to income recognition

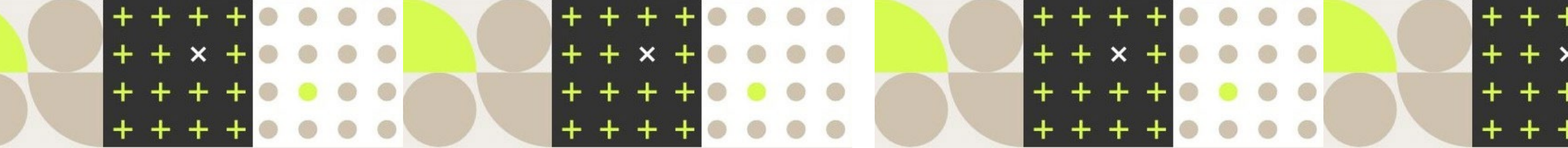
## Charities SORP 2026 New tiers\*

Receipts & Payments	R&P	Non-company UK charities (e.g. CIOs and unincorporated) with income less than £250,000 (£500,000 from Oct 2026)
SORP	Tier 1	All charities applying accruals accounts (including all company charities) and with a gross income of not more than £500,000
SORP	Tier 2	All charities with a gross income falling above the tier 1 threshold and with a gross income of not more than £15m
SORP	Tier 3	All charities with a gross income falling above the tier 2 threshold

\*SORP tier levels will be subject to a public consultation in 2026



# Trustees' Annual Report



# Trustees' Annual Report

Refreshed Trustees  
Annual Report  
requirements

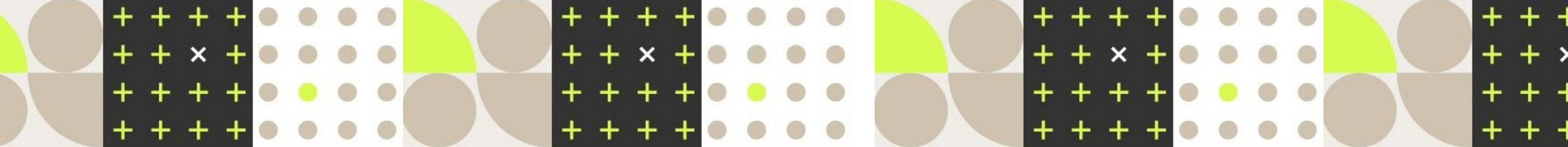
Prompt questions  
included to support  
direct involvement of  
trustees in the  
preparation

Further guidance added  
on how to report reserves  
and cyber risks

Areas of public and  
donor interest  
included – such as  
impact reporting,

Plans for the future  
extended to all charities

Legacy income –  
more explanation  
provided to help  
users understand  
more fully



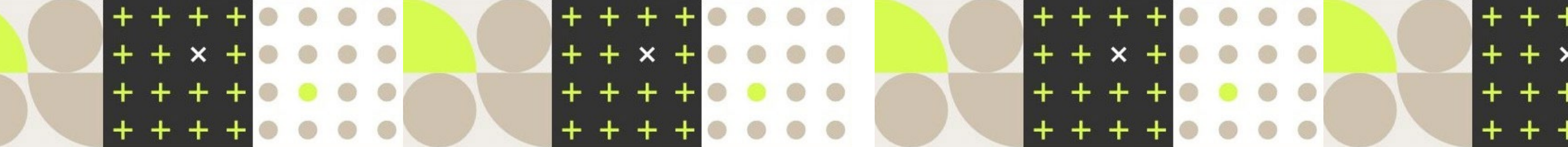
## Trustees report (SORP 2026) - Prompt questions

### Framing the report (applies to all charities)

- Who are the intended users of the Trustees' Annual Report?
- What information do those users need to understand the charity's work, performance and financial position?
- Is the report balanced, clear and understandable to a non-technical reader?
- Does the narrative align clearly with the financial statements?

### Tier 1 (up to £500k) – What the charity has achieved (mandatory for all charities)

- What difference has the charity's work made to its beneficiaries during the year?
- What evidence demonstrates those outcomes or impacts?
- Has the charity's work provided any wider public benefit or benefit to society as a whole?
- Are both successes and significant challenges explained?



## Trustees report (SORP 2026) - Prompt questions

### Tier 2 – £500k to £15m (Objectives, activities and performance)

#### Objectives and purpose

- What are the charity's aims and objectives?
- What needs or issues is the charity seeking to address?
- How do the objectives support delivery of public benefit?

#### Activities

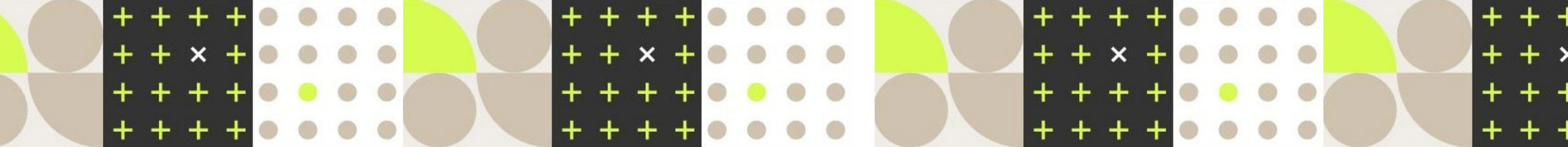
- What were the charity's main activities during the year?
- How do those activities contribute to achieving the charity's aims?
- Have there been any significant changes to activities or services?

#### Strategy and approach

- What strategies were in place to achieve the charity's objectives?
- How were resources allocated to support those strategies?
- How did trustees ensure activities remained aligned with charitable purposes?

#### Performance and measurement

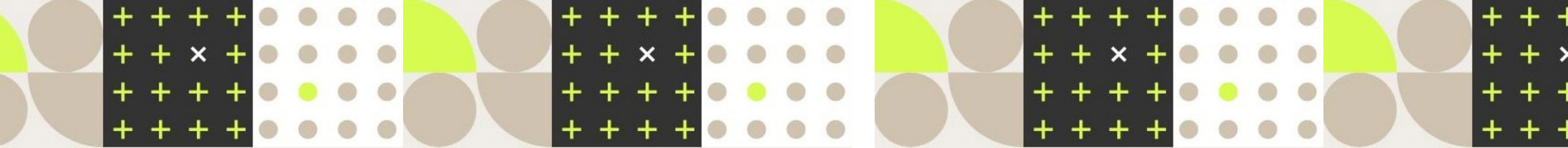
- What criteria or measures are used to assess success?
- How did actual performance compare with plans or expectations?
- What lessons were learned and how will they influence future plans?



## Reserves – SORP 2026

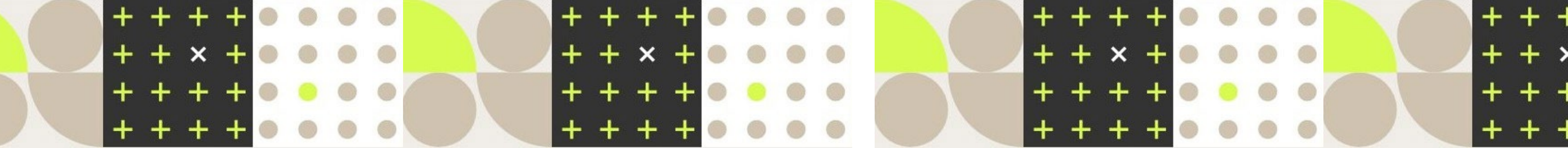
- SORP 2026 includes a clear definition of reserves and specifically what should be excluded. Starting with **unrestricted funds**, **deductions** should be made for fixed assets, designated funds, commitments, investments, restricted funds and endowments.
- New requirement to include a **reconciliation** from unrestricted funds to the calculation of reserves (either within the funds note or a separate note) if it is not clear how the charity's reserves tie into the financial statements.
- All charities must now **compare** their actual reserves to the reserves policy and explain action being taken to align with the policy. If a charity has designated funds or otherwise committed funds at the year end, then they must explain the expected timing of the expenditure in the future.





## Volunteers – SORP 2026

- All charities must include an explanation to disclose the **scale and nature** of activities undertaken by different volunteers in their reporting.
- Charities in Tier 2 and 3 should also include information on the **number of general volunteers** and **activities supported** by those general volunteers and may include volunteer hours or staff equivalents where practical to do so.
- There continues to be a difference in accounting treatment between **general and non-general volunteers**. General volunteers are not included in the income and expenditure numbers whilst specific (non-general) volunteers (such as trades) are included at the value to the charity.

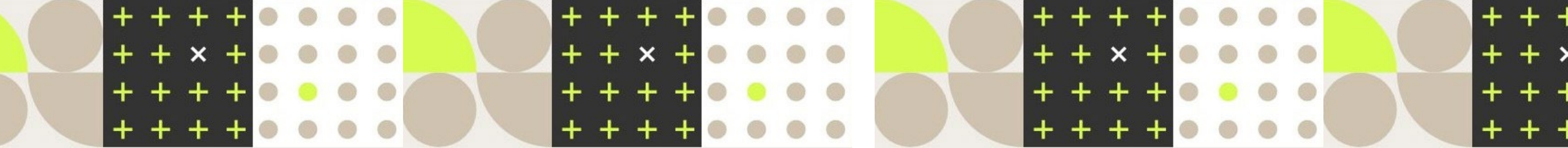


## Impact – SORP 2026

All charities must provide a **summary of the main achievements** of the charity and the SORP encourages the use of infographics, statistics and testimonials to demonstrate this. There are **two questions** which should be considered when preparing this summary, to help explain the impact that charity is making:

- In what way has the charity's work made a difference to the circumstances of its beneficiaries?
- Has the charity's work provided any wider benefits to society as a whole?

Charities in Tier 2 and 3 must also explain the **long-term effect of its activities on individual beneficiaries and society** as a whole and the use of impact stories is encouraged to communicate this.

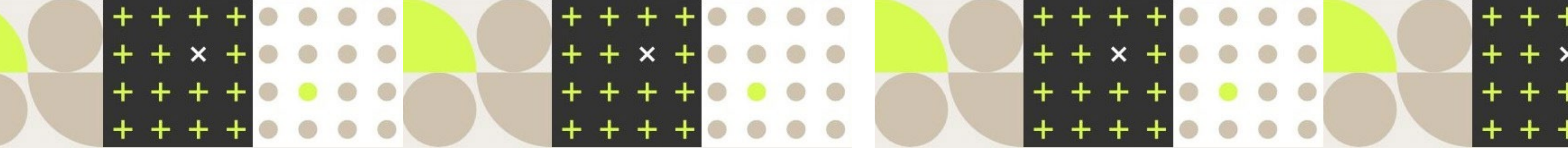


## **Sustainability – SORP 2026**

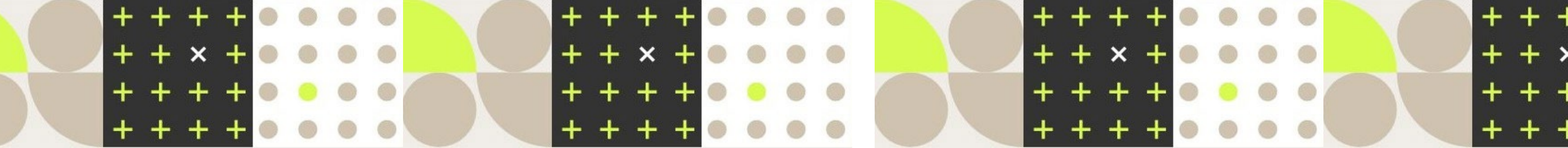
All charities are **encouraged** to explain how they are responding to and managing environmental, social and governance matters, and to consider the needs of their stakeholders for reporting on this area; though it is not a must for tiers 1 and 2.

## **Future Plans – SORP 2026**

All charities required to set out its plans for the future. Tier 2&3 charities to include aims and objectives and details of any activities planned to achieve them and trustees' perspective



# Income Recognition



## Income Recognition - Changes in approach

Type of income	Examples	Current Recognition	New Recognition
<b>Exchange</b>	Contracts Sales Rental/room hire Business activities	Invoiced with adjustments for deferred & accrued income	<b>5-step model</b> based on promises/deliverables 1. contract, 2. promises, 3. total price, 4. allocate price, 5. recognise at point or over time
<b>Non-exchange</b>	Grants Donations Legacies	Entitlement basis	<b>Received/ receivable</b> (e.g. grants & donations) or probable (legacies)

## Income Recognition - Changes in approach



### Care package

Equipment  
Dressings  
Weekly visits



### Annual membership

Free entrance  
Quarterly journal  
Annual event



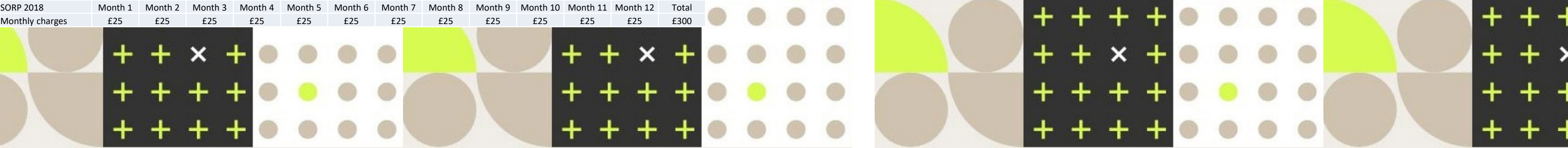
### Employment support

Equipment  
Training  
Transition support



### Emergency alarm

Equipment  
Monitoring service  
Annual service



# Income Recognition Example 1

Charity provides an emergency alarm service to vulnerable adults. Price is £25 per month inclusive of equipment, monitoring service and an annual service.

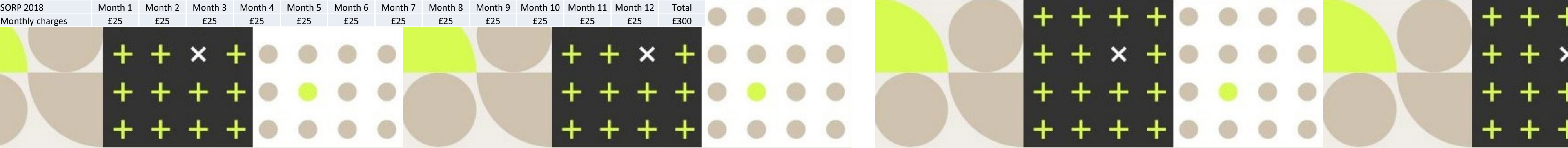
**Current Income recognition:**  
Income is recognised monthly

<b>SORP 2018</b>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Monthly charges	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£300



**Emergency alarm**

- Equipment
- Monitoring service
- Annual service



# Income Recognition Example 1

Charity provides an emergency alarm service to vulnerable adults. Price is £25 per month inclusive of equipment, monitoring service and an annual service.

## Current Income recognition:

Income is recognised monthly

SORP 2018	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Monthly charges	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£300

## New FRS102/SORP Income recognition:

Income is recognised in line with fulfilment/delivery (5-step model)

SORP 2026	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Equipment/set up	£120												£120
Monitoring/repairs	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£120
Annual service												£60	£60
	£130	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£70	£300

Any amount not yet able to be recognised will be a **contract creditor** and any amount recognised in advance will be a **contract debtor**

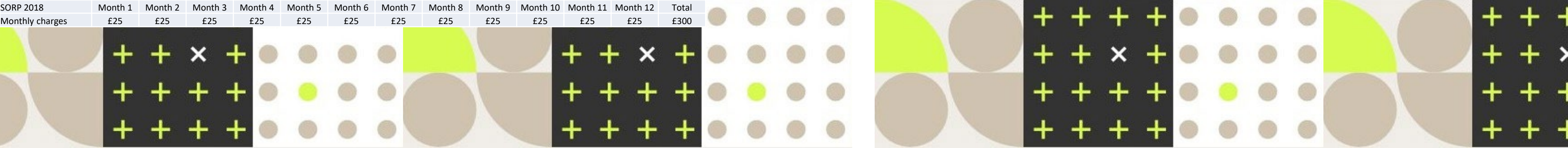


**Emergency alarm**

Equipment

Monitoring service

Annual service



## Income Recognition Example 2

Youth membership costs £50 per year. Benefits include a diary, access to facilities for the year and a ticket to a special summer event.

### Current Income recognition:

Income is recognised on renewal

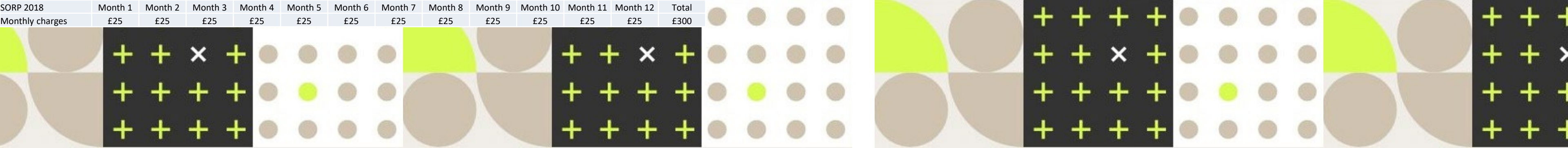
SORP 2018	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Annual fee	£50												£50



**Annual Youth Membership**

- Diary
- Access to facilities
- Ticket to summer member event

**YOUTH INVESTMENT FUND**



## Income Recognition Example 2

Youth membership costs £50 per year. Benefits include a diary, access to facilities for the year and a ticket to a special summer event.

### Current Income recognition:

Income is recognised on renewal

SORP 2018	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Annual fee	£50												£50

### New FRS102/SORP Income recognition:

Income is recognised in line with fulfilment/delivery (5-step model)

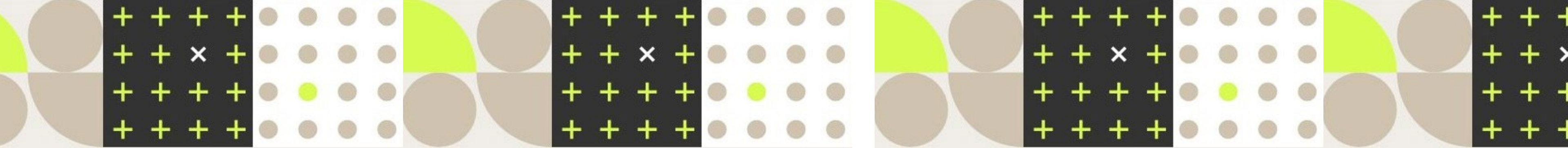
SORP 2026	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Diary	£6												£6
Access to facilities	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2	£24
Summer event					£20								£20
	£8	£2	£2	£2	£22	£2	£2	£2	£2	£2	£2	£2	£50



### Annual Youth Membership

- Diary
- Access to facilities
- Ticket to summer member event

**YOUTH INVESTMENT FUND**



# Leasing



# Approach to Calculating a Lease (SORP 2026)

## Is there a lease?

- A contract is, or contains, a lease if the contract conveys the **right to control** the use of an **identified asset** for a period of time in exchange for **consideration**. SORP sets out a flow chart to help determine treatment, including whether there may be a social donation lease?
- Does the lease fall under one of the exemptions – **short term** (less than 12 months) or **low value** (by type)
- Is the agreement a peppercorn or nominal value? – if so then could be exempt

## Determine lease length

- **Non-cancellable** lease term +
- Periods covered by extension options that lessee is **reasonably certain** to exercise +
- Periods covered by termination options that lessee is **reasonably certain** to exercise

## Identify lease payments

- Fixed lease payments (include in substance but deduct leases incentives)
- Variable lease payments (based on an index or rate)
- Residual value guarantees (amount expected to be paid)
- Exercise price of purchase options and any termination penalties

## Apply discount rate

1. Interest rate implicit in the lease (where available)
2. Incremental or obtainable borrowing rate
3. Interest otherwise obtainable on deposits (charities/PBEs only and when other options not practicable)



## SORP 2026 - Overview of accounting treatment for operating leases for charities

### Low value or short-term lease

- Exemptions in FRS102 that allow the current treatment as an expense and disclosures. Short term is less than 12 months.
- Low value is by “type” rather than £, and on a per asset basis

### Market rate rental

- Unless it falls under the exemptions, then normal FRS102 “on balance sheet” lease accounting rules apply
- Net of commercial discounts and incentives

### Below market rental

- Part lease, part donation (SORP refers to “**Social Donation Leases**”)
- Lease liability based on actual rental payments and right of use asset on this plus in-kind income element at value to the charity

### Peppercorn or nominal value

- Treat as a donation in kind (non-exchange transaction)
- Based on the value to the charity

## Lease at Market Rent - Example 1

Midminster Youth has a lease for offices. The lease term is 5-years, and the annual rent payable is £20,000. This is a market rent.

### Current accounting treatment of the lease

Rent is recognised as an expense in the income & expenditure account

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£	£	£	£	£	£
<b>Income and Expenditure</b>						
Rent	20,000	20,000	20,000	20,000	20,000	100,000
I&E Cost	20,000	20,000	20,000	20,000	20,000	100,000

### New FRS102/SORP treatment of the lease:

The lease is capitalised, with a “right of use” (ROU) fixed asset added to the balance sheet and depreciated over the lease term. The lease liability is treated like a loan with interest charged

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£	£	£	£	£	£
<b>Fixed Assets</b>						
ROU Asset	84,247	67,398	50,548	33,699	16,849	84,247
Depreciation	(16,849)	(16,849)	(16,849)	(16,849)	(16,849)	(84,247)
Net Book Value	67,398	50,548	33,699	16,849	-	-
<b>Lease Liabilities</b>						
Opening liability	84,247	69,302	53,460	36,668	18,868	84,247
Annual payment	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(100,000)
Financing costs	5,055	4,158	3,208	2,200	1,132	15,753
Closing liability	69,302	53,460	36,668	18,868	-	-

<b>Income and Expenditure</b>						
Depreciation	16,849	16,849	16,849	16,849	16,849	84,247
Financing costs	5,055	4,158	3,208	2,200	1,132	15,753
I&E Cost	21,904	21,008	20,057	19,050	17,982	100,000

Lease length (year)	5
Annual rent	£20,000
Discount rate	6%
Net present value/ ROU Asset	<b>£84,247</b>
Implicit interest	£15,753



## Low rent, below market and peppercorn leases Accounting summary under new FRS102/SORP

### Peppercorn or nominal

- Token or no rent
- Likely to be exempt as does not meet definition of a lease under FRS102 hence no adjustments needed although additional disclosures may be required

### Low rent (market)

- Restrictions and performance obligations are reflected in the low rent
- Charity discounts that are commercial in nature
- Actual rent should be used for FRS102

### Low rent (below market)

- Social Donation lease
- Rent is below market even after taking account of any restrictions, obligations or commercial discounts.
- The difference between market rent (at value to the charity) and actual should be obvious as a donation (philanthropic intent of the donor), and added as income upfront

### Community asset transfer

- Careful judgment will be needed
- Restrictions and obligations will usually mean that the low rent is market value or could be a peppercorn
- Significant restrictions on use could mean being exempt (“control over asset”)

## Lease at Below Market Rent (Social Donation Lease) - Example 2

Midminster Youth has a lease for offices. The lease term is 5-years, and the below market annual rent payable is £10,000. Donation at value to the charity is £5,000 pa

### Current accounting treatment of the lease

Rent is recognised as an expense and donation at value to the charity, in the income & expenditure account

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£	£	£	£	£	£
<b>Income and Expenditure</b>						
In kind donation	5,000	5,000	5,000	5,000	5,000	25,000
Rent	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(75,000)
I&E Cost	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(50,000)

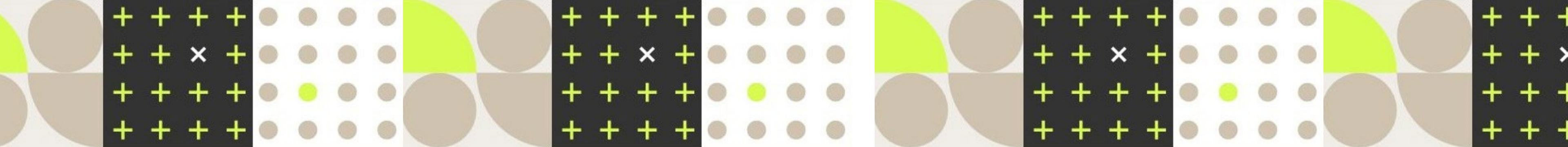
### New FRS102/SORP treatment of the lease:

Lease is capitalised and the full donation is added to the asset value upfront unless there are performance conditions

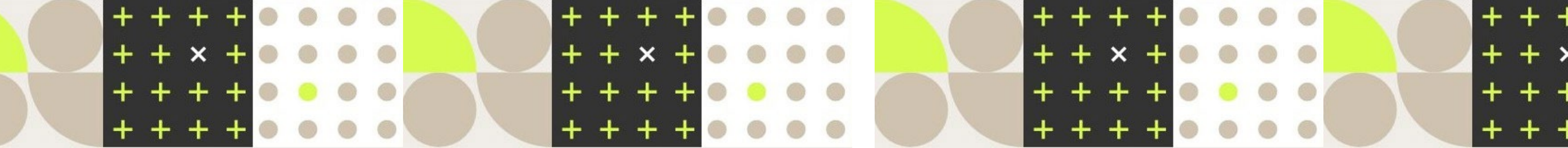
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£	£	£	£	£	£
<b>Fixed Assets</b>						
ROU Asset	42,124	53,699	40,274	26,849	13,425	42,124
Donation in kind	25,000	-	-	-	-	25,000
Depreciation	(13,425)	(13,425)	(13,425)	(13,425)	(13,425)	(67,124)
Net Book Value	53,699	40,274	26,849	13,425	-	-
<b>Lease Liabilities</b>						
Opening liability	42,124	34,651	26,730	18,334	9,434	42,124
Annual payment	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(50,000)
Financing costs	2,527	2,079	1,604	1,100	566	7,876
Closing liability	34,651	26,730	18,334	9,434	-	-

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Income and Expenditure</b>						
Donation in kind	25,000	-	-	-	-	25,000
Depreciation	(13,425)	(13,425)	(13,425)	(13,425)	(13,425)	(67,124)
Financing costs	(2,527)	(2,079)	(1,604)	(1,100)	(566)	(7,876)
I&E Cost	9,048	(15,504)	(15,029)	(14,525)	(13,991)	(50,000)

Lease length (years)	5
Annual rent	£10,000
Annual Donation el	£5,000
Total	£15,000
Discount rate	6%
Net present value/ ROU Asset	<b>£42,124</b>
Implicit interest	£7,876



# Other Topics



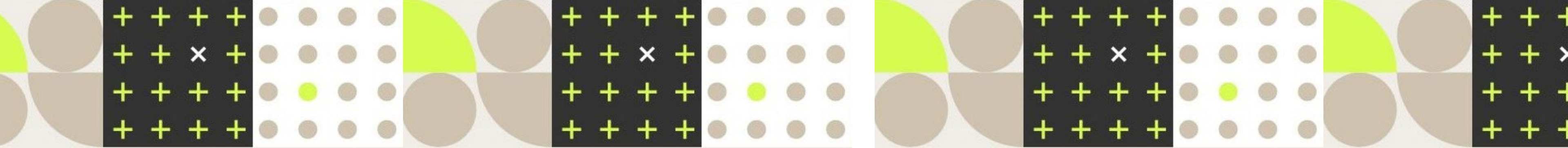
## Natural Classifications or Activity Basis for the Statement of Financial Activities (SOFA)

### Natural classification

- Available to Tier 1 only (up to £500k)
- Optional alternative to activity-based reporting
- Present “relevant analysis of components of income/expenses incurred”
- No need for raising funds and charitable activities
- No analysis of support and governance costs

### Activity Basis

- Activity basis option for Tier 1 and required for tiers 2 and 3
- Charitable activities should link to those described in trustees’ annual report
- Identify and allocate support and governance costs



## Transition – SORP 2026

**Implementation date** – Accounting periods beginning on or after 1<sup>st</sup> January 2026. E.g for charities with a 31 March year end, it would mean from 1<sup>st</sup> April 2026.

**Annual Report** – Comparative information, such as on reserves and volunteers should be provided where possible

**Income recognition** – Choice between amending comparatives or an opening reserves adjustment.

**Leasing** – Opening reserves adjustment with existing lease based on remaining term at the transition date

**MIDMINSTER COMMUNITY ASSOCIATION**  
**RECONCILIATION OF OPENING RESERVES AT 1st APRIL 2026**

	Note	£	£
<b>UNRESTRICTED FUNDS</b>			
Unrestricted reserves at 31st March 2026	14		181,988
<b>Changes on transition to SORP/FRS102 2026 at 1 April 2026</b>			
Right of use fixed asset	8	120,025	
Lease liability	15	(102,025)	
Diliapidations provision for right of use asset	8	(18,000)	
Contract assets	10	15,000	
Contract liabilities	11	-	
		-	15,000
Unrestricted reserves at 1st April 2026			196,988

There are no changes to restricted funds as a result of the transition.

## Note 8 Tangible Fixed Assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Right of use assets £	Total £
<b>Cost</b>					
At 1 April 2026	355,000	30,170	15,190	-	400,360
Right of use asset recognised on transition	-	-	-	120,025	120,025
Additions	-	66,086	12,000	-	78,086
As at 31 March 2027	<u>355,000</u>	<u>96,256</u>	<u>27,190</u>	<u>120,025</u>	<u>598,471</u>
<b>Depreciation and impairment</b>					
At 1 April 2026	70,000	13,442	7,538	-	90,980
Depreciation charged in year	35,500	19,251	6,798	13,336	74,885
As at 31 March 2027	<u>105,500</u>	<u>32,693</u>	<u>14,336</u>	<u>13,336</u>	<u>165,865</u>
<b>Carrying amount</b>					
At 31 March 2027	<u>249,500</u>	<u>63,563</u>	<u>12,855</u>	<u>106,689</u>	<u>432,607</u>
At 31 March 2026	<u>285,000</u>	<u>16,728</u>	<u>7,652</u>	<u>-</u>	<u>309,380</u>

The right of use asset is the building lease. A dilapidations provision of £18,000 has been included in the right of use asset cost. See also note 15

## Note 15 Operating leases

The charity has entered into lease arrangements for the use of community building and equipment. These leases do not transfer ownership of the asset to the charity and were previously classified as operating leases. Under FRS 102 (2024), the charity has recognised lease liabilities and right-of-use assets in respect of these arrangements on transition as at 1st April 2026. Hence comparatives have not been restated.

	31st March 2027	31st March 2026
	£	
Lease liabilities due within 1 year	15,000	-
Lease liabilities due after more than 1 year	78,147	-
Total lease liabilities	<u>93,147</u>	<u>-</u>

Maturity analysis of lease liabilities (undiscounted):

Payable in:

	£	£
Less than one year	15,000	15,000
One to two years	15,000	15,000
Two to five years	45,000	45,000
Over five years	45,000	60,000
Total	<u>120,000</u>	<u>135,000</u>

The lease liabilities are measured at the present value of future lease payments, discounted using the charity's estimated obtainable borrowing rate, which was assessed to be 6%.

Depreciation on the right of use asset is charged on a straight-line basis over the lease term. Interest on lease liabilities of £6,612 (2026 £Nil) is recognised within support costs.

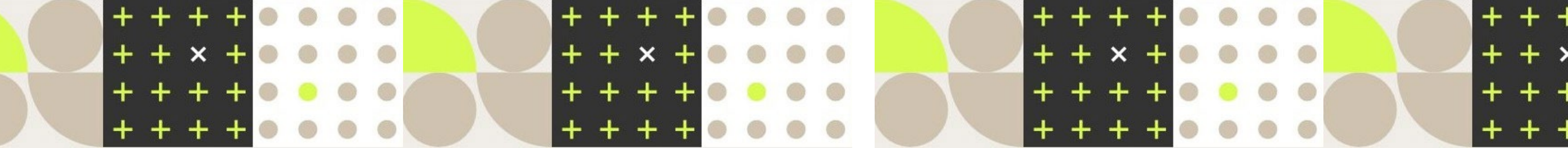
### Short-term and low-value leases:

The charity has elected not to recognise lease liabilities for leases with a term of 12 months or less or where the underlying asset is of low value. The expense related to these leases for the year was £4,200 (2026: £3,900), included within premises and office costs.

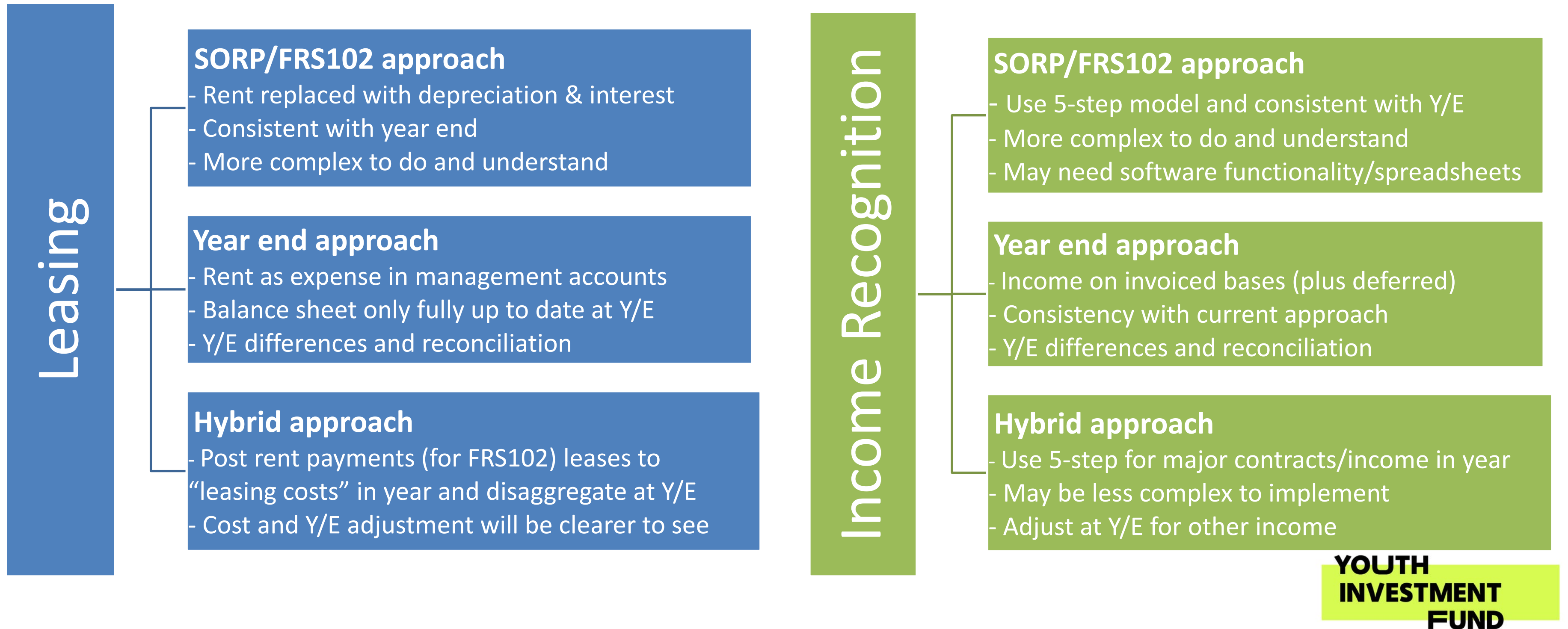
**MIDMINSTER COMMUNITY ASSOCIATION  
STATEMENT OF FINANCIAL ACTIVITIES  
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)  
FOR THE YEAR ENDED 31 MARCH 2027**

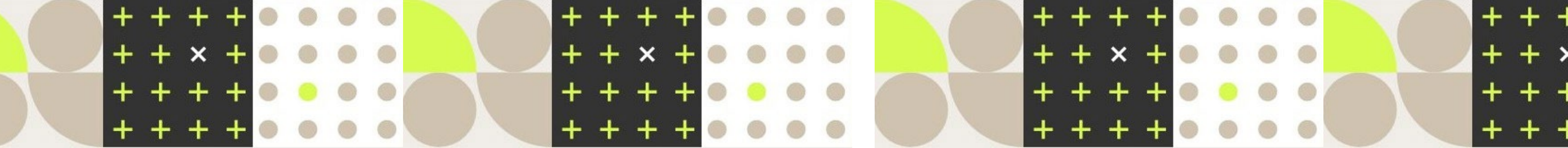
**MIDMINSTER COMMUNITY ASSOCIATION  
BALANCE SHEET AS AT 31st MARCH 2027**

		Unrestricted funds 2027 £	Restricted funds 2027 £	Total funds 2027 £	Total funds 2026 £		Note	2027 £	2026 £
<b>Income from:</b>									
Donations	2	3,655	10,000	13,655	35,782				
Charitable activities	3	158,777	167,653	326,430	329,774				
Investment and rental		3,926	-	3,926	16,122				
<b>Total income</b>		166,358	177,653	344,011	381,678				
<b>Expenditure on:</b>									
Raising funds		36,755	-	36,755	43,751				
Charitable activities	4	115,221	241,620	356,841	329,120				
Pension fund	20	10,000	-	10,000	-				
Other	5	15,982	-	15,982	8,964				
<b>Total expenditure</b>		177,958	241,620	419,578	381,835				
<b>Net income / (expenditure)</b>		(11,600)	(63,967)	(75,567)	(157)				
Transfers between funds		-	-	-	-				
Gains/(losses) on investments	9	2,402	-	2,402	(1,240)				
Net movement in funds		(9,198)	(63,967)	(73,165)	(1,397)				
Total funds brought forward		196,988	115,687	312,675	299,071				
Total funds carried forward	14	187,790	51,720	239,510	297,674				
						<b>Fixed Assets</b>			
						Tangible fixed assets	8	432,607	309,380
						Investments	9	17,642	15,240
								450,249	324,620
						<b>Current Assets</b>			
						Stock	1	6,324	4,119
						Debtors	10	81,239	66,567
						Cash at bank and in hand		53,442	149,497
								141,005	220,183
						<b>Creditors : amounts falling due within one year</b>	11	(74,597)	(38,629)
						<b>Net Current assets / (liabilities)</b>		66,408	181,554
						<b>Creditors: amounts falling due after more than one year</b>	12	(192,147)	(113,500)
						<b>Net assets excluding pension liability</b>		324,510	392,674
						Defined benefit pension liability	20	(85,000)	(95,000)
						<b>Total net assets</b>		239,510	297,674
						<b>CHARITY FUNDS</b>			
						<b>Unrestricted funds</b>			
						General	14	62,790	46,987
						Pension reserve	14	85,000	95,000
						Designated	14	40,000	40,000
								187,790	181,987
						<b>Restricted Funds</b>	14	51,720	115,687
						<b>Total Funds</b>		239,510	297,674



## Approaches for management accounts– SORP 2026



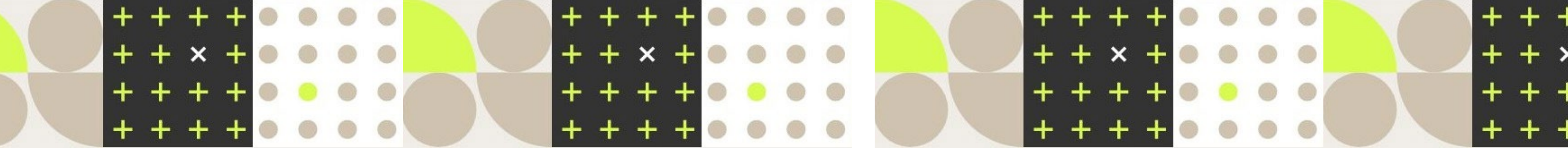


## Non-charity not for profit organisations Using small company or micro entity frameworks

Small Companies (FRS 102/FRS 102 S1A)
<ul style="list-style-type: none"> <li>• <i>Most CICs (although not a requirement)</i></li> <li>• <i>Community Benefit Societies</i></li> <li>• <i>Companies limited by guarantee</i></li> <li>• <i>Private companies (if not using FRS105/micro)</i></li> </ul>
<p><u>Key Changes:</u></p> <ul style="list-style-type: none"> <li>• Leasing on balance sheet</li> <li>• New income recognition model</li> <li>• Some disclosure requirements that were exempted for small companies under section 1A, will now be required (e.g. full related party disclosures and for provisions and contingencies)</li> </ul>

Micro Entities (FRS105)
<p><i>Where below micro entity thresholds:</i></p> <ul style="list-style-type: none"> <li>• <i>Some CICs</i></li> <li>• <i>Companies limited by guarantee</i></li> <li>• <i>Private companies</i></li> </ul>
<p><u>Key Changes:</u></p> <ul style="list-style-type: none"> <li>• New income recognition model (some simplifications in initial implementation and for disclosures)</li> </ul>

It is not just charities that are impacted by the underlying changes in accounting frameworks. Companies using FRS102 or micro-entities (FRS105) will also be impacted



# Impact and Preparation

# IMPACT ON CHARITIES – TRUSTEES’ ANNUAL REPORT



## Reserves and future plans

- Reconciliation and explanation of the calculations
- Comparison with reserves policy and link to going concern
- Summary of plans for the future (now all charities)
- Tier 2&3 to include aims and objectives and details of any activities planned to achieve them and trustees’ perspective



## Volunteers

- Disclose the scale and nature of activities undertaken by different volunteers
- More details for charities in Tier 2&3 with information on the activities supported and may include volunteer hours or staff equivalents where practical to do so.

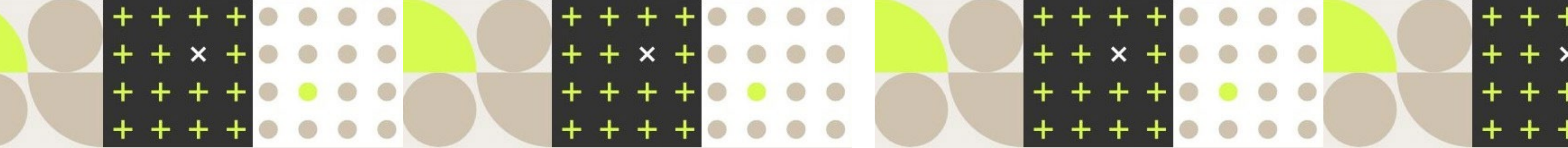


## Other

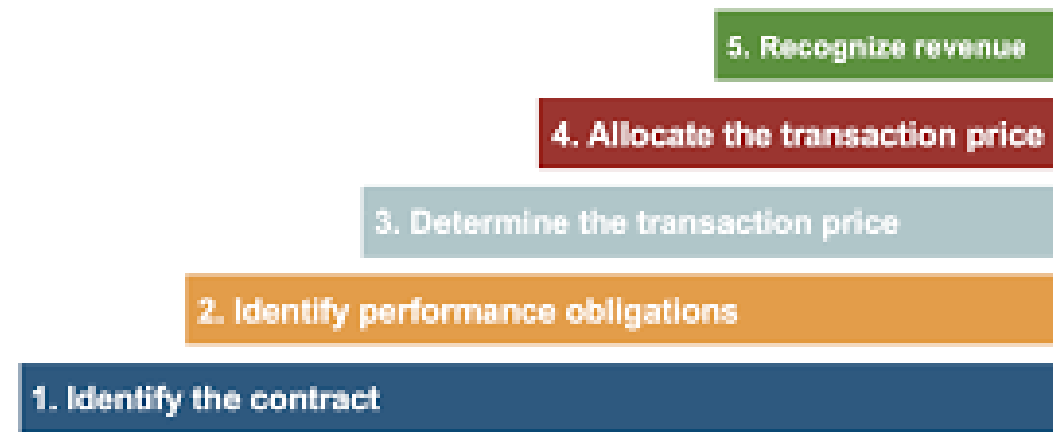
- **Sustainability** - All charities encouraged to explain how they are responding to and managing ESG
- Explanations of the policy and calculation of recognition for **legacy income**
- How the charity manages **risk**, including **Cyber** risks

## Impact

- Articulation of the impact of the charity and its activities on beneficiaries and wider society
- Extra detail and analysis for tier 2&3 charities



## IMPACT ON CHARITIES - INCOME



### Revenue Recognition: The 5-step model

- Income earlier or later
- New: contract debtors & creditors
- Varying judgements being made such as un-bundling services and income allocations



### Grants & cash donations

- Updated policy may be needed but probably not too much difference as it is still about “control” and subject to any performance conditions

### Legacy Income

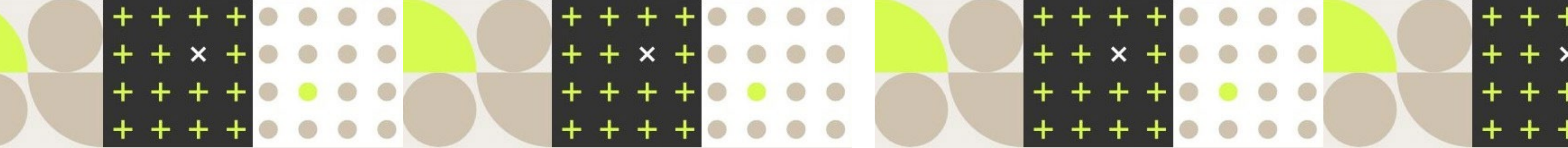
- Updated policies may be needed
- Recognition may be earlier or later
- Judgements and approach disclosed in notes



### Donated goods and services

- Based on the value to the charity. Not a change, but SORP is now clearer so compliance may be better

**YOUTH  
INVESTMENT  
FUND**



# IMPACT ON CHARITIES - LEASING

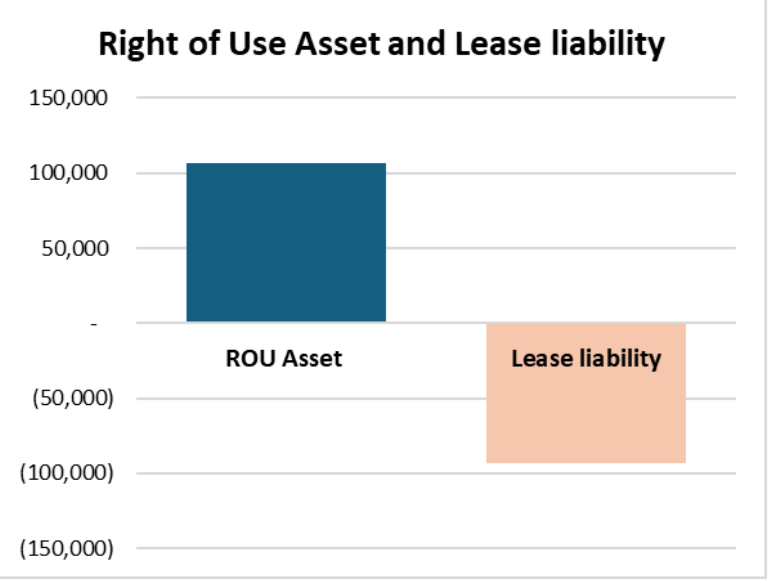


## Assets to be on balance sheet

- This could add significant assets to the balance sheet and for smaller charities will probably be the largest figure
- Mainly buildings, vehicles and major equipment
- Varying judgements being made such as on lease terms, dilapidations, modifications and discount rates will impact right of use asset values and lease liabilities

## Exemptions

- Low value items such as computer and office equipment
- Short term leases of less than 12 months



## Lease liability

- Potentially a very large figure on the balance sheet
- May initially look concerning and impact assessments
- Could impact funding, banking or social investment covenants

## Peppercorn and low rent leases

- Peppercorn & nominal leases will usually be exempt
  - Low rent leases may be classed as “social donation” leases if there is a philanthropic intent as part of the agreement
- May need significant judgement as to the correct treatment and especially where there are restrictions on use and performance conditions

SORP 2018	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Monthly charges	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£25	£300

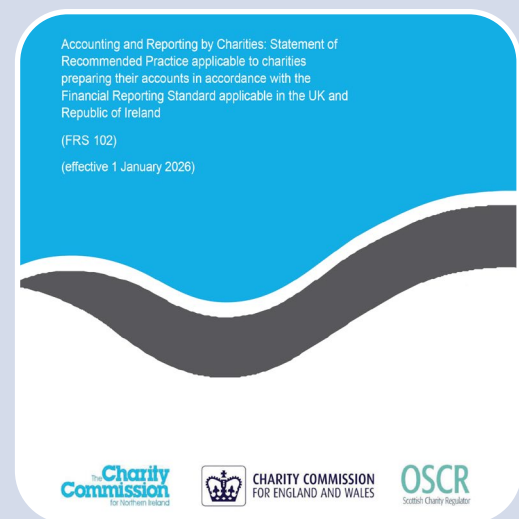
# FRS102/SORP – Actions for organisations



Expenditure by Activity

31 March 2024

	Advice Services	Capital Project	Core & Overheads	Counselling	Prem
Income	-	605,000	-	-	-
Expenses	108,000	-	1,800	-	-
	20,000	-	45,000	22,000	-
Grants & Donations	-	-	5,291	8,800	-
Net Income	128,000	605,000	51,891	31,800	-
Other Income	27,500	-	-	-	-
Other Expenses	27,500	-	-	-	-
Net Income	100,500	605,000	51,891	31,800	-
Other Income	4,630	-	1,962	-	37
Other Expenses	-	570,000	-	-	-
Net Income	24,000	-	36,000	27,000	-
Other Income	28,630	670,000	37,862	27,000	37
Other Expenses	71,870	36,000	13,929	4,800	-



**Identify leases & contracts**  
 Establish whether they meet the definitions

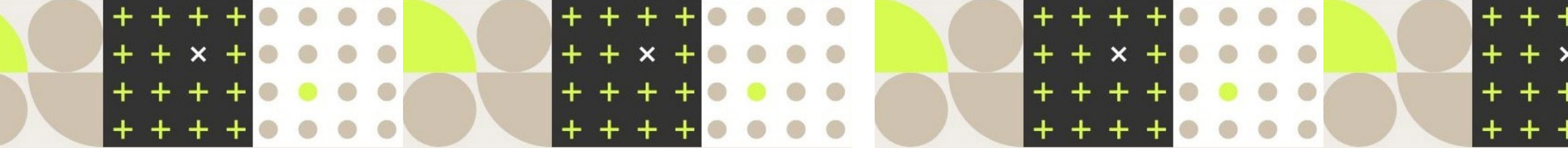
**Decisions & Judgement**  
 Exemptions  
 Assumptions on leases and contracts  
 Seek professional advice

**Bookkeeping records & calculations**  
 Spreadsheets, manual adjustments, Journals, software options

**Budgets & management reporting**  
 Adopt new approach? E.g. Rent = rrent or depreciation + interest in budgets etc

**Annual Report & Accounts**  
 Adopting the new requirements, extra disclosures and transition adjustments

**Grant Applications**  
 Impact on eligibility, Explanations needed on changes, differences between year end and management accounts



# Questions

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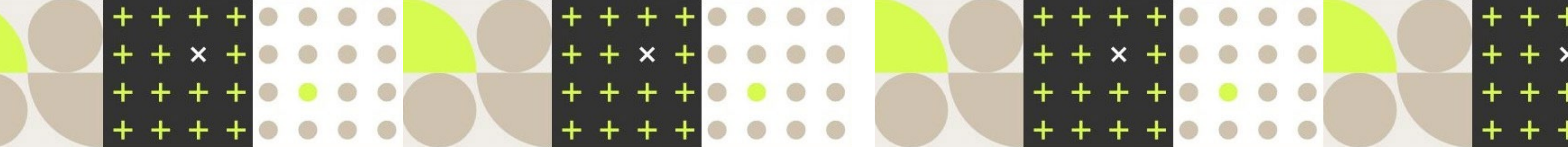
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