



**ACCOUNTING FOR
YOUTH INVESTMENT FUNDED ASSETS**

March 2026

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ABOUT THE AUTHOR

Neal is a Chartered Accountant and trainer who specialises in community charities and social enterprises. He has been a member of the Charities SORP Committee where he holds a particular responsibility for smaller charities.



Neal has been one of the lead central support advisers for the Youth Investment Fund (YIF) with a remit on financial management. He has delivered a range of webinars and in-person training sessions including on budgeting, forecasts, management reporting, systems & software, full cost recovery, year-end and the new requirements of FRS102 and SORP.

This guidance has been commissioned by YIF to provide a reference to grantee organisations following the formal completion of the programme in March 2026. This guidance covers the accounting for YIF funded assets, however there are other resources and webinar recordings available covering other topics that may be important.

The guidance is based on the position as at 31st March 2026. Organisations are recommended to take professional advice as may be needed.

March 2026

1. AIM OF THIS GUIDANCE

This guidance sets out the accounting and reporting implications for charities and other social enterprise companies with YIF funded assets. This brings together the requirements of both the YIF grant agreement and accounting and reporting regulations.

The guidance is structured in four parts:

	Title	Scope
Part A	Charities	Based on financial years that began before 1 st January 2026
Part B	Community Interest Companies (CIC) and other (non-charity) companies	
Part C	Changes to accounting requirements	Based on financial years beginning on or after 1 st January 2026
Part D	External scrutiny	Audit and independent Examination
Appendices	Examples (1 to 4)	Provides examples based on other parts of the guidance.

Background

The Youth Investment Fund (YIF) was set up by the UK Government in 2022, providing over £300m of capital and revenue grants to more than 250 organisations across England. The capital grants were generally focussed on individual sites or facilities (both new builds and refurbishments)

Most projects were completed before 31st March 2026; however, some will be completed later in 2026.

The aim of this guidance is to help grantees and their accountants, understand the accounting and reporting for their YIF-funded assets. It is not intended as detailed technical advice and specialist professional support may be needed.

PART A CHARITIES

A1. A SUMMARY OF THE GRANT REQUIREMENTS

The YIF grant agreement requires the recipient to identify separately, the value and purpose of the grant in its annual report and accounts. This includes recognising the grant income as restricted, and transferring the funds to designated/unrestricted once the building is in use.

A2. ACCOUNTING CHOICES

Smaller non-company charities (such as CIOs and unincorporated associations) with income receipts of up to £250,000, can choose to prepare simpler cash-based accounts. Many grantees were already doing this until the YIF grant tipped them over the threshold requiring them to prepare the “company style” accrual accounts, (known as SORP accounts).

This threshold is measured on an annual basis, so it is possible to revert back to cash accounts in the future. In October 2025, the Government announced that it intends to increase the receipts and payments threshold for non-company charities to £500,000, and whilst they have indicated that it will apply from October 2026, this is not confirmed.

The table below sets out an overview of the different approach and requirements:

Accounting	Charity SORP (2019)	Charity Receipts & Payments
Who can use this framework?	Any charity including all company charities and those with income above £250k	Non-company charities including CIOs with receipts up to £250k
Narrative reporting	Full Trustee’s Annual Report (TAR)	CIO - full TAR, UA, reduced TAR
Basis of accounts	Accruals	Cash accounting
Accounting policies	Based on true & fair	None
Fund accounting	Restricted and unrestricted funds separated	Cash-based restricted and unrestricted funds separated
Grants and donations	Entitlement/control basis Unspent grant shown in funds	Cash basis
Balance sheet	Full balance sheet and detailed notes	Statement of assets & liabilities
Income & Expenditure /P&L	Statement of Financial Activities (SOFA) and activity reporting	Receipts and Payments summary

A3. RECEIPTS AND PAYMENTS ACCOUNTS - ACCOUNTING FOR YIF GRANTS AND ASSETS

Some non-charity grantees may meet the criteria for having income receipts of up to £250k in one or more of the financial years where in receipt of the YIF grant. This could be the case for the smaller refurbishment grants, or for example where the receipt of the grant was split across more than one financial year but still meant total receipt income was below the threshold in each year.

a) Trustees' Annual Report (TAR)

The Trustees' Annual Report (TAR) is a key communication document to a charity's stakeholders, users, donors and funders, and not just for regulators. It is important to bear this in mind when it is being prepared and that it "speaks" to such users. The "story of the charity" including its activities during the year and what it has achieved should be clear. This will help users gain an understanding of the charity. Use charts and graphics but only those that are easy for readers to understand.

With regards to the YIF project and asset, the TAR should include:

- A description of the aims and purposes of the capital project and how it furthers the overall objectives and outcomes of the charity.
- If completed, then date of opening and how it is beginning to provide benefit.
- If not, then progress of the construction/refurbishment and when it is expected to be completed, any key risks that relate to the project, and any short-term impact on regular charity services.
- The overall final or estimated cost and funding.
- Any specific structure, governance and management arrangements put in place for or as a result of the project.
- Any impact on the cash reserves and reserves policy

b) Accounting

- Both the capital and revenue elements of the YIF grant are included in the financial year in which they were received into the charity's bank account (or any custodian's account where relevant).
- The bookkeeping entry is to Debit Bank and Credit Grant Income received.
- The grant receipts will be shown as restricted income in the restricted funds column. Expenditure on the YIF project will also be shown in the restricted funds column, and any unspent grant at the year end will be held in restricted cash funds.
- Note that cash accounting can only be used where the income in any particular year did not exceed the threshold (currently £250,000)
- The YIF asset should be shown on the statement of assets and liabilities. This should be at cost and with a note explaining the asset it refers, the YIF funding and is consistent with the narrative in the TAR.
- Any remaining commitments or unpaid costs should also be included in the statement of assets and liabilities.

A4. SORP ACCOUNTS - ACCOUNTING FOR GRANTS

SORP accounts are company style charity accounts using the accruals basis. They are based on FRS102, which is the accounting standard for companies. It is a requirement for all charitable companies and those charities ineligible for the cash accounting option and can also be chosen by any charity of any size. SORP download:

<https://www.charitySORP.org/>

The current SORP (2018) applies to accounting periods that began before 1st January 2026, and this part of the guidance is based on this version. Part C sets out the key changes required by SORP 2026 which covers periods beginning on or after 1st January 2026.

Accounting periods beginning before 1 st January 2026	Accounting periods beginning on or after 1 st January 2026
SORP 2018	SORP 2026

a) Trustees' Annual Report (TAR)

The Trustees' Annual Report (TAR) is a key communication document to a charity's stakeholders, users, donors and funders, and not just for regulators. It is important to bear this in mind when it is being prepared and that it "speaks" to such users. The "story of the charity" including its activities during the year, what it has achieved should be clear and its plans for the future. This will help users gain an understanding of the charity. Use charts and graphics but only those that are easy for readers to understand.

With regards to the YIF project and asset, the TAR should include:

- A description of the aims and purposes of the capital project and how it furthers the overall objectives and outcomes of the charity.
- If completed, then date of opening and how it is beginning to provide benefit.
- If not, then progress of the construction/refurbishment and when it is expected to be completed, any key risks that relate to the project, and any short-term impact on regular charity services.
- The overall final or estimated cost and funding and any capital commitments.
- Any specific structure, governance and management arrangements put in place for or as a result of the project.
- Any impact on the reserves and reserves policy including any transfer to designated or unrestricted funds.

b) Accounting Policies

Some accounting policies may need to be reviewed and updated. The key ones are:

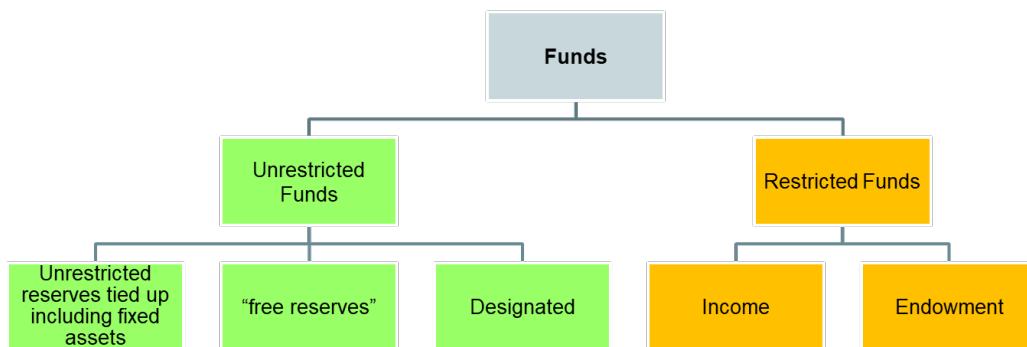
- The useful life of the building and **depreciation policy**. Where there is a lease, the useful life of the asset may need to be limited to the lease length.

- YIF projects are often transformational to the way the charity operates, and this can impact what it needs to hold for its **reserves policy**.
- Ensure that the **income recognition policy** accurately reflects the SORP requirements for the YIF grant, based on entitlement, probable and measurement (see section below)
- Some projects took specialist advice regarding VAT. This included where an “opt to tax” was made for the building and the impact on VAT recovery rates. The accounting **policy for VAT** should be updated to reflect this.

c) Recognising income and fund accounting

The income from the Youth Investment Fund is recognised where three criteria are met: **entitlement** (i.e. control), **probable economic benefit**, and **reliable measurement**. This is the case even for capital expenditure grants.

Charities are required to use fund accounting which means separating income and expenditure based on whether they are restricted or unrestricted. The diagram below sets out how such income and related expenditure should be split.



Key:

Restricted funds - where external ringfencing makes the use of the funds narrower than the charity’s objects. These can be income (such as grants and donations) and endowment (assets and investments).

Unrestricted funds – These can be fully used across the charity’s objects. They can be designated by trustees for a particular purpose or used for fixed assets. Other unallocated unrestricted funds are “free reserves” and measured with reference to the reserves policy of the charity.

The YIF grant agreement states that the funds **must** be shown as ‘restricted funds’ in the grantee’s accounts so that the government funding can be tracked throughout the grant distribution process. This includes both the revenue and capital elements of the grant.

For the YIF revenue grant, all the income and expenditure are treated as restricted funds. Any unspent revenue grant at the end of the financial year must be clearly shown in the note on restricted funds.

The accounting for the capital grant is more complex, and the table below sets out the overall approach. The accounting treatment for the capital project will depend upon whether the project is new-build or refurbishment and whether it was completed and opened at the year end. Where projects contain a mix of both, then the different elements will need to be separated.

At the year-end:	Summary of accounting	Depreciation	Reserves/funds
Building not yet open/commissioned (new build)	Treat as "asset under construction"	No	Grant income and asset treated as restricted funds
Refurbishment upgrades (completed or in progress)	Building refurbishment or improvements are a change to an existing building and do not comprise separate assets. This includes adding floor space. Treat as additions to the existing asset or as a separate asset class.	Depreciate in line with accounting policy based on useful asset life once refurbishments in use.	Grant income and asset treated as restricted funds. Once completed and in use, the asset additions can be transferred to unrestricted funds (usually designated)
Refurbishment maintenance (completed or in progress)	Maintenance simply keeps a building fit for purpose and does not enhance it. Maintenance is treated as an expense in the statement of financial activities	No, as treated as an in-year expense	Grant income and expenditure treated as restricted. Any unspent amount carried forward in restricted funds
New build was completed in the year	Will be shown as a fixed asset. Any brought forward asset under construction figure will be added to the in-year additions	Depreciate in line with accounting policy based on useful asset life. A new or updated policy may be needed.	Grant income treated as restricted funds. Once completed and in use, the asset additions can be transferred to unrestricted funds (usually designated)
Ongoing and future years	Asset continues to be reported as part of the class of funds to which it was attributed upon initial recognition. Each year, every tangible fixed asset is tested for impairment, where circumstances may have caused a temporary or permanent reduction in its capacity to fulfil the intended purpose	Depreciate in line with accounting policy based on useful asset life. Depreciation will be charged to the designated fund (where set up) Where impairment exists, then an adjustment should be made	Will generally be shown as a part of unrestricted funds (designated)

Asset liability period and contingent liabilities

Most YIF grant agreements contain a clause setting out a period where DCMS has an interest in the property, and to provide information and allow them to monitor and inspect the property for an agreed period. This is known as the “Asset Liability Period” and depends upon the size of the grant and the purpose shall remain central to the use of the asset.

In terms of accounting, a contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because:

- a transfer of economic benefit to settle the possible obligation is not probable; or
- the amount of the obligation cannot be estimated reliably.

Contingent liabilities are disclosed unless the possibility of their existence is remote.

Although case by case, the trigger point for clawback would usually be either the facility formally changing use, changing ownership or seeking sale, so it will in practice come down to judgement and discussion with your auditor/Independent Examiner as to whether a contingent liability exists, and whether it is “possible” (disclose) or “remote” (no disclosure needed).

PART B

COMMUNITY INTEREST COMPANIES AND OTHER NON-CHARITY COMPANIES

B1. A SUMMARY OF THE GRANT REQUIREMENTS

As with charity grantees, the YIF grant agreement requires the recipient to identify separately, the value and purpose of the grant in its annual report and accounts. Although there are less statutory requirements for non-charity company reporting, compliance with the grant conditions are still needed.

a) Director' Report

The Director's Report for a "small company" (two of; income up to £15m, assets £7.5m and staff 50), is not required to include a business review. However it is optional, and this is where a summary of the YIF project could be included. This could include:

- A description of the aims and purposes of the capital project and how it furthers the overall objectives of the company.
- If completed, then date of opening and how it is beginning to provide benefit.
- If not, then progress of the construction/refurbishment and when it is expected to be completed, any key risks that relate to the project, and any short-term impact on regular services.
- The overall final or estimated cost and funding and any capital commitments.

Preparing micro-entity accounts (FRS105) is not generally recommended for not-for-profit companies as they provide little transparency and information including for funders. However, for those that do (two of; income up to £1m, assets £500k and staff 10), no directors report is required, but one can be prepared voluntarily. It is therefore recommended that YIF grantees using micro-entity accounting prepare a directors' report to provide the narrative of the YIF project. Alternatively, a separate report could be prepared alongside the accounts.

b) CIC 34 Report

The CIC 34 report is a specific requirement for community interest companies to file alongside their annual accounts. The details of the project and its impact (see above) should be included in parts, 1 (description of the company's activities and impact), and 2 (consultation with stakeholders) of the CIC34 report. Refer to the points set out above.

B2. ACCOUNTING FOR THE CAPITAL GRANT AND ASSET

The most common approach is to use what is known as the accrual model. This is about recognising the grant as income over the period useful life of the asset and matches the grant income with depreciation of the asset.

Example

Northern Youth CIC received a grant totalling £535k for their YIF building. The useful life is based on 25 years:

The accounting treatment is:

- To recognise £21,400 of grant income per year in the profit and loss account (ie $535,000/25$)
- The balance of the grant is shown in deferred income in the balance sheet (and notes)
- Depreciation of £21,400 is included in expenditure each year and the fixed asset is slowly written down.
- There is still a need consider whether any impairment adjustment may be needed each year.

See appendix 3 for further detail for this example

PART C

CHANGES TO ACCOUNTING REQUIREMENTS

FRS102, FRS105 and SORP 2026

C1. BACKGROUND AND IMPLEMENTATION DATE

New company accounting requirements (FRS102 & FRS105) and the Charities SORP apply to accounting periods beginning on or after 1st January 2026.

The table below gives examples of when it may apply:

Charity or company year end (examples)	Existing requirements (FRS102, 105 and SORP 2018)	New requirements (FRS102, 105 and SORP 2026)
31 st March	Year to 31 st March 2026	Year to 31 st March 2027
30 th June	Year to 30 th June 2026	Year to 30 th June 2027
30 th Sept	Year to 30 th Sept 2026	Year to 30 th Sept 2027
31 st Dec		Year to 31 st Dec 2026

Charities – key changes

- 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 (all charities), 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
- New five-step income recognition model for contracts (i.e. based on fulfilment)
- 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

CICs and other companies – key changes

- New five-step income recognition model for contracts (i.e. based on fulfilment)
- New on-balance sheet and disclosure requirements for operational leases (FRS102 only)
- Additional disclosure requirements including related parties (FRS102 only)

For access to a recording of a YIF webinar providing more details on the changes, see appendix 4.

C2. POTENTIAL IMPACT ON YIF PROJECTS AND ASSETS

The extent of the impact of the new requirements on grantees will depend upon its legal status (e.g. charity, CIC etc), its business model, reserves and assets. This guidance highlights the key areas regarding the YIF funded building and assets; however, it is important that organisations familiarise themselves with the wider new requirements. Below are the main changes/additional requirements of the new frameworks:

Trustees annual report - charities

- **Reserves** – An updated definition of reserves defines them in a slightly clearer way starting with unrestricted funds and deducting designated funds, those invested in fixed assets and other commitments and allocations. Showing the YIF funded building in a designated fund (from completion) will make the reserves clearer.
- It is also a new requirement to set out the calculation of reserves and ensure it is reconciled with the numbers in the balance sheet.
- **Impact** - There are new requirements regarding reporting on the impact of the charity, and this will include highlighting the transformational effect of the YIF project.
- **Volunteers** - New requirements for setting out the roles of volunteers.
- **“Plans for the future”** will now be required for all charities (previously only for those with income above £500k). This could mean further detail on the use and activity plans for the building.

Leases – charities (SORP) and companies/CICs (FRS102)

The new requirements take away the distinction between finance and operating leases. This means that, subject to exemptions, all leases need to be accounted for on the balance sheet. This means that you now recognise:

- a right-of-use (ROU) asset
- a lease liability (present value of future payments)

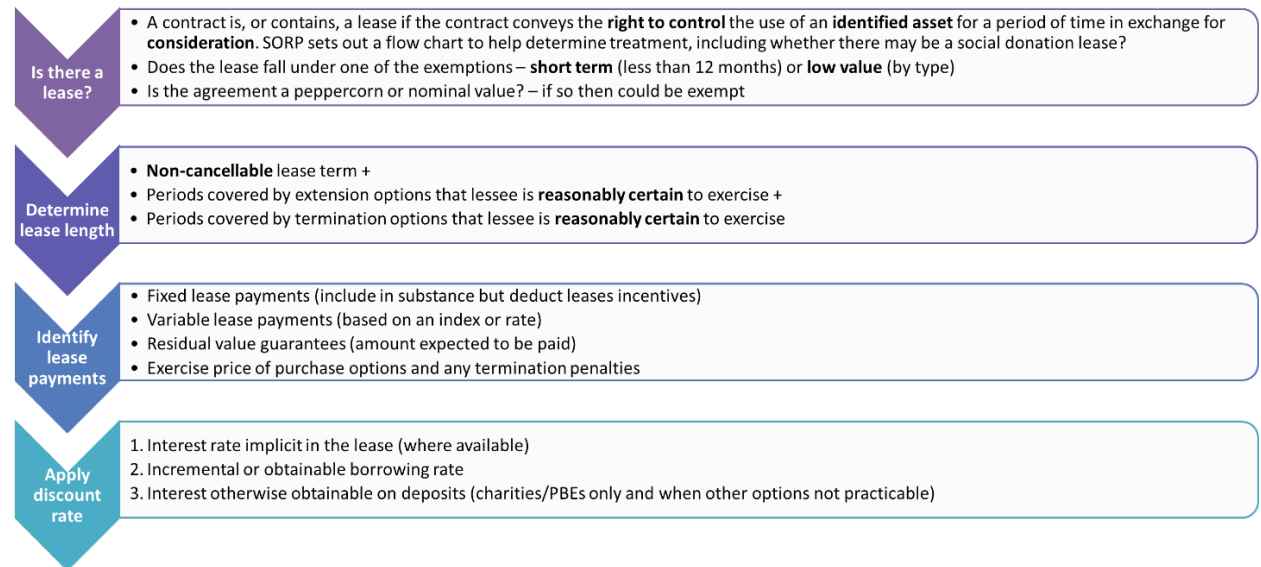
These can add substantial figures to an organisation’s balance sheet, however there are some exemptions where you don’t capitalise:

- Short-term leases (≤ 12 months)
- Low-value assets (e.g. small equipment, but buildings and vehicles are not exempt)
- Peppercorn or nominal leases

Complications can arise around:

- Determination of the lease terms (e.g. length, variable rents, dilapidations and discount factors)
- Whether the lease is at market value, below market (known as social donation leases), a community asset transfer or at nominal/peppercorn.
- How to account for leases in management reports

The diagram below summarises approach to determining the lease elements and assumptions.



Leases – YIF funded projects

The impact of the new leasing requirements will depend upon whether there is some sort of underlying lease for the building or land. Examples may be where a building owned by a local authority has been refurbished or extended, or where there is ownership of the land by the authority.

Grantees should:

- Determine whether there is some sort of lease connected to the building.
- If no lease (e.g. full freehold), then these provisions don't apply.
- If there is a lease, is the rent nominal or a peppercorn, in which case these provisions probably don't apply.
- If rent is paid, is it at a market rent (including taking account of any commercial discounts, conditions and performance obligations?)
- If below market, is it a social donation lease (i.e. where there is clear philanthropic intention by the landlord/owner)?
- If the lease is to be capitalised, then the various terms should be calculated (see diagram above)
- Details and disclosures should be set out in the annual report and accounts. It will be important to communicate and new major figures to funders and stakeholders and understand any potential impact on accounting thresholds and bank covenants. See professional advice if needed.
- Approach to transition – generally leases will be added to the balance sheet based on the remaining lease term at the date of transition.

The diagram below sets out the different types of leases frequently seen in the charity sector (beyond those at pure full market rent), and the accounting implications:

Peppercorn or nominal	Low rent (market)	Low rent (below market)	Community asset transfer
<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Restrictions and performance obligations are reflected in the low rent• Charity discounts that are commercial in nature• Actual rent should be used for FRS102	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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”)

PART D EXTERNAL SCRUTINY

D1. EXTERNAL SCRUTINY REQUIREMENTS

For almost all charity grantees, the YIF funding will mean that some form of external scrutiny will be required. There are two types: independent examination (IE) and audit. IE is a reduced level of external scrutiny based on the examiner reporting on whether they have identified any non-compliance with legal requirements (“negative assurance”). Audit is a more heavy-duty level of scrutiny and testing and reporting is based on whether the accounts show a “true and fair” view (“positive assurance”). Independent examination is usually considerably cheaper and hence more proportionate for smaller charities.

CICs and other non-charity companies are subject to the normal company thresholds for audit, which are considerably higher. The table below sets out the current statutory thresholds for England & Wales, however the government has announced some proposed increases in the thresholds, expected to be from October 2026.

Threshold	Charity	CIC/Other company
Income below £25k*	No external scrutiny required	No external scrutiny required
Income £25k to £250k	Independent examination	No external scrutiny required
Income £250k to £1m*	Independent examination by qualified examiner	No external scrutiny required
Income over £250k and assets over £3.26m	Audit	No external scrutiny required
Income above £1m*	Audit	No external scrutiny required
Income over £15m, assets over £5m and employees over 50 (2 from 3 for 2 consecutive years)	Audit	Audit

Please also refer to the governing document of the organisation as these may be lower than the statutory thresholds. *Increases expected from October 2026 include independent examination from £40k and audit threshold from £1.5m

Applying for consent to an independent examination instead of an audit

Approval is not guaranteed, but in advance of arranging the external scrutiny of accounts, a charity can apply for an order to allow it to have an independent examination instead. Having a large grant alone is not sufficient grounds but if post grant the charity reverts to having a much lower income, and if trustees consider requesting the independent examiner to review the adequacy of their charity’s internal financial controls and to explain this is their intention can help to support an application

Preparing for external scrutiny

	Independent Examination (IE)	Audit
Bookkeeping and reconciliations	All transactions up to date and bank fully reconciled Accounting system able to produce management reports for the year Explanation of significant transactions, and movements from prior year Analysis of restricted funds	
Grant agreements, contracts, receipts and other supporting documentation	Have grant agreements ready and be able to demonstrate compliance with any grant or other conditions	
Draft financial statements and Trustees' annual report	Trustees Annual Report consistent with accounts. Independent Examiner can prepare draft accounts if needed	Trustees Annual Report consistent with accounts. Auditor <u>cannot</u> prepare draft accounts, so may need to find someone to do this
Board papers and minutes and evidence of key decisions	To be available if needed, especially for any major decisions	Likely to be needed as part of reviews of financial controls and procedures and fraud risks
Going Concern	Declaration by trustees that charity is a going concern and key assumptions	Detailed analysis of going concern, cashflow forecasts and business plans

APPENDIX 1
CHARITY EXAMPLE EXTRACTS

MIDMINSTER YOUTH CIO
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2025

	Note	Unrestricted funds 2025 £	Restricted funds 2025 £	Total funds 2025 £	Total funds 2024 £
Income from:					
Grants and donations	2	24,385	615,000	639,385	186,000
Charitable activities	3	158,674	-	158,674	369,992
Investment	2	72	-	72	128
Total income		183,131	615,000	798,131	556,120
Expenditure on:					
Raising funds		18,971	-	18,971	15,678
Charitable activities	4	177,852	264,624	442,476	505,989
Other	5	14,098	-	14,098	7,183
Total expenditure		210,921	264,624	475,545	528,850
Net income / (expenditure)		(27,790)	350,376	322,586	27,270
Transfers between funds		(5,432)	5,432	-	-
Net movement in funds		(33,222)	355,808	322,586	27,270
Total funds brought forward		41,241	70,200	111,441	84,171
Total funds carried forward		8,019	426,008	434,027	111,441

This example shows a charity with the Youth Investment Fund capital grant. The project is not completed at the year end (31st March 2025) and the capital grant is shown in the restricted funds. This is set out in more detail in Note 2 (see extracts of notes on page 11 of this handout). Note that whilst the capital grant is shown as income in the SOFA, the expenditure is shown in the balance sheet. The underlying unrestricted performance of the charity was a deficit of £33,222 (first column) rather than the total column that includes the capital grant and other unspent restricted funds.

MIDMINSTER YOUTH CIO
BALANCE SHEET AS AT 31st MARCH 2025

	Note	2025 £	2024 £
Fixed Assets			
Tangible fixed assets	9	394,248	15,560
		394,248	15,560
Current Assets			
Debtors	10	27,500	38,340
Cash at bank and in hand		50,157	89,600
		77,657	127,940
Creditors : amounts falling due within one year	11	(22,878)	(17,059)
Net Current assets / (liabilities)		54,779	110,881
Creditors: amounts falling due after more than one year	12	(15,000)	(15,000)
Total assets less current liabilities		434,027	111,441
Unrestricted funds			
General	13	(16,981)	16,241
Designated		25,000	25,000
		8,019	41,241
Restricted Funds	13	426,008	70,200
Total Funds		434,027	111,441

The balance sheet shows a significant increase in tangible fixed assets. This is largely related to the capital expenditure on the YIF project and is detailed in note 9. The restricted funds are broken down in note 13.

**MIDMINSTER YOUTH CIO
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2025**

	Note	2025 £	2024 £
Cash flows from operating activities			
Net cash income		355,904	17,930
Adjustments to cashflows from non cash items	9	8,312	9,340
		<u>364,216</u>	<u>27,270</u>
Working capital adjustments			
Decrease/(increase) in debtors	10	10,840	(15,560)
(Decrease)/increase in creditors	11	5,819	12,340
Total expenditure		<u>16,659</u>	<u>(3,220)</u>
Net cashflows from operating activities		347,557	30,490
Cashflows from investing activities			
Purchase and construction of tangible fixed assets		<u>(387,000)</u>	<u>(6,500)</u>
Net increase in cash and cash equivalents		(39,443)	23,990
Cash and cash equivalents at 1 April		89,600	65,610
Cash and cash equivalents at 31 March		<u>50,157</u>	<u>89,600</u>

If the charity income is above £500,000, then it is a requirement to include a statement of cashflows in the annual accounts. This may be a new requirement for some organisations where the YIF grant has tipped them over the threshold.

MIDMINSTER YOUTH CIO
NOTES TO THE ACCOUNTS (EXTRACTS)
FOR THE YEAR ENDED 31 MARCH 2025

Note 2 Grants and donations

	Unrestricted 2025	Restricted 2025	Unrestricted 2024	Restricted 2024
	£	£	£	£
Income from:				
Donations	24,385	-	18,500	2,500
Youth investment Fund	-	400,000	-	-
National Lottery	-	175,000	-	125,000
Midminster Trust	-	40,000	-	40,000
Total income	24,385	615,000	18,500	167,500

Note 9 Tangible Fixed Assets

	Fixtures & fittings	Computer equipment	Leasehold asset under construction	Total
	£	£	£	£
Cost				
At 1 April 2024	23,670	15,890	-	39,560
Additions	-	2,000	385,000	387,000
As at 31 March 2025	23,670	17,890	385,000	426,560
Depreciation and impairment				
At 1 April 2024	14,500	9,500	-	24,000
Depreciation charged in year	4,734	3,578	-	8,312
As at 31 March 2025	19,234	13,078	-	32,312
Carrying amount				
At 31 March 2025	4,436	4,812	385,000	394,248
At 31 March 2024	9,170	6,390	-	15,560

The leasehold asset under construction is the development of the new youth centre funded through the Youth Investment Fund. It is planned to be completed in December 2025. No depreciation is provided until the asset is completed. The peppercorn lease from Midminster Council is for 50 years from January 2023.

Note 13 Movement in Funds

	At 1 April 2024	Incoming Resources	Outgoing Resources	Transfers	at 31st March 2025
	£	£	£	£	£
Restricted Funds:					
Youth Investment Fund	-	400,000	(25,000)	-	375,000
National Lottery	45,000	175,000	(205,324)	-	14,676
Midminster Trust	25,200	40,000	(34,300)	5,432	36,332
	70,200	615,000	(264,624)	5,432	426,008
Unrestricted Funds:					
General funds	16,241	183,131	(210,921)	(5,432)	(16,981)
Designated funds	25,000	-	-	-	25,000
	41,241	183,131	(210,921)	(5,432)	8,019
Total Funds	111,441	798,131	(475,545)	-	434,027

Purposes and restrictions of funds

Restricted funds:

Youth Investment Fund This grant supports the construction of the new yourh centre at 25 Spring Road, Midminster.

National Lottery National Lottery funding supports our youth counselling services

Midminster Trust Midminster Trust provides grants for the advocacy services.

Designated funds These are held for major building repairs.

Note 17 Contingent liabilities

The Youth Investment Fund capital grant (£400k at 31st March 2025 but will total of £550k at completion) is subject to an "asset liability period" of 10 years from completion of the new community centre. Whilst the likelihood of clawback of the funding is considered low, it is possible.

Below is an example of after the completion of the project and having satisfied the restricted funds conditions in the grant agreement. This shows the position **one year later** than the examples above and includes the transfer of the YIF grant to designated funds.

**MIDMINSTER YOUTH CIO
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2026**

	Note	Unrestricted funds 2026 £	Designated funds 2026 £	Restricted funds 2026 £	Total funds 2026 £	Total funds 2025 £
Income from:						
Grants and donations	2	44,302	-	340,000	384,302	639,385
Charitable activities	3	198,522	-	-	198,522	158,674
Investment	2	1,704	-	-	1,704	72
Total income		244,528	-	340,000	584,528	798,131
Expenditure on:						
Raising funds		24,306	-	-	24,306	18,971
Charitable activities	4	177,852	-	184,331	362,183	442,476
Other	5	9,567	-	-	9,567	14,098
Total expenditure		211,725	-	184,331	396,056	475,545
Net income / (expenditure)		32,803	-	155,669	188,472	322,586
Transfers between funds		-	550,000	(550,000)	-	-
Net movement in funds		32,803	550,000	(394,331)	188,472	322,586
Total funds brought forward		(16,981)	25,000	426,008	434,027	111,441
Total funds carried forward		15,822	575,000	31,677	622,499	434,027

**APPENDIX 2
CIC EXAMPLE EXTRACTS**

**NORTHERN YOUTH CIC
Profit & Loss Account
for the YEAR ENDED 31st March 2026**

	Note	Year ended 31st March 2026 £	Year ended 31st March 2025 £
Turnover		563,976	480,127
Cost of Sales		<u>(187,649)</u>	<u>(160,043)</u>
Gross Profit		376,327	320,084
Administrative Expenses		<u>(318,492)</u>	<u>(338,720)</u>
Operating profit / (loss)	2	57,835	(18,636)
Other interest receivable and similar income	3	952	128
Profit/(Loss) on ordinary activities before taxation		<u>58,787</u>	<u>(18,508)</u>
Tax on ordinary activities		(4,510)	-
Profit/(Loss) on ordinary activities after taxation for the financial year		<u>63,297</u>	<u>(18,508)</u>

In this example, the accounting policy of the CIC is to use the accruals method for the YIF capital grant. This means that the grant is split across the 25-year useful life of the building. Hence only 1/25 of the total capital grant is included each year (in this example it is 1/25 of £535k = £21,400). Note that it is not disclosed as a separate figure in the profit and loss account but may be stated elsewhere.

NORTHERN YOUTH CIC
BALANCE SHEET AS AT 31st MARCH 2026

	Note	2026 £	2025 £
Fixed Assets			
Tangible fixed assets	5	<u>514,536</u>	<u>394,248</u>
		<u>514,536</u>	<u>394,248</u>
Current Assets			
Debtors	6	27,500	41,479
Cash at bank and in hand		<u>75,157</u>	<u>135,047</u>
		<u>102,657</u>	<u>176,526</u>
Creditors : amounts falling due within one year	7	<u>(40,110)</u>	<u>(35,588)</u>
Net Current assets / (liabilities)		<u>62,547</u>	<u>140,938</u>
Creditors: amounts falling due after more than one year	8	<u>(492,200)</u>	<u>(513,600)</u>
Total assets less current liabilities		<u>84,883</u>	<u>21,586</u>
Capital and Reserves			
Profit and Loss account		<u>84,883</u>	<u>21,586</u>
		<u>84,883</u>	<u>21,586</u>

The asset is included in fixed assets and the grant not yet recognised is included in creditors. Further detail should be provided in the notes (see next page).

**NORTHERN YOUTH CIC
NOTES TO THE ACCOUNTS (EXTRACTS)
FOR THE YEAR ENDED 31 MARCH 2026**

Note 5 Tangible Fixed Assets

	Fixtures & fittings £	Computer equipment £	Freehold asset £	Total £
Cost				
At 1 April 2025	23,670	17,890	385,000	426,560
Additions	-	-	150,000	150,000
As at 31 March 2026	<u>23,670</u>	<u>17,890</u>	<u>535,000</u>	<u>576,560</u>
Depreciation and impairment				
At 1 April 2025	19,234	13,078	-	32,312
Depreciation charged in year	4,734	3,578	21,400	29,712
As at 31 March 2026	<u>23,968</u>	<u>16,656</u>	<u>21,400</u>	<u>62,024</u>
Carrying amount				
At 31 March 2026	<u>- 298</u>	<u>1,234</u>	<u>513,600</u>	<u>514,536</u>
At 31 March 2025	<u>4,436</u>	<u>4,812</u>	<u>385,000</u>	<u>394,248</u>

The freehold asset is the new youth centre funded through the Youth Investment Fund. This opened in January 2026. Depreciation is provided in full in the first year and based on a useful life of 25 years.

Note 7 Creditors due within one year

	At 31st March 2026 £	At 31st March 2025 £
Trade creditors	7,500	4,800
Accruals	3,540	2,600
Deferred income	21,400	21,400
Taxes and social security	5,670	4,788
Other creditors	2,000	2,000
	<u>40,110</u>	<u>35,588</u>

Note 8 Creditors due after more than one year

	At 31st March 2026 £	At 31st March 2025 £
Deferred income	492,200	513,600
	<u>492,200</u>	<u>513,600</u>

Deferred income is the YIF capital grant that will be released in line with depreciation over 25 years

APPENDIX 3
NEW LEASING EXAMPLES

Example 1 - Midminster Youth has a lease for its offices. The lease term is 5-years, and the annual rent payable is £20,000. This is a market rent.

a) 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
	£	£	£	£	£	£
Income and Expenditure						
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

b) 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
	£	£	£	£	£	£
Fixed Assets						
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	-	-
Lease Liabilities						
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	-	-

Income and Expenditure						
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	£84,247
Implicit interest	£15,753

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.

c) 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
	£	£	£	£	£	£
Income and Expenditure						
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)

d) 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
	£	£	£	£	£	£
Fixed Assets						
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	-	-
Lease Liabilities						
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	-	-

Income and Expenditure						
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 at value	£5,000
Total	£15,000
Discount rate	6%
Net present value/ ROU Asset	£42,124
Implicit interest	£7,876

APPENDIX 4

LINKS AND RESOURCES

Youth Investment Fund

The use investment fund website provides a wide range of resources and webinar recordings

Companies Act audit requirements

Audit is only required under company law where a company is either it is a small company, and its directors have chosen to have an audit, or it exceeds the criteria for a small company and is either medium or large and so required to have an audit.

See Companies House guidance: <https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts>

Applying for consent to an independent examination instead of an audit- registered charities

Approval is not guaranteed but in advance of arranging the external scrutiny of accounts a charity can apply for an order to allow it to have an independent examination instead. Having a large grant alone is not sufficient grounds but if post grant the charity reverts to having a much lower income and if trustees consider requesting the independent examiner review the adequacy of their charity's internal financial controls and explain this is their intention. Good financial governance offers reassurance and refer to the Commission's guidance on internal financial controls for expected practice: <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>

The Commission may give consent if there are 'exceptional circumstances' (see section 5.6 when downloading the guidance OG15-4).

For further information: https://khub.net/web/charity-commission-operational-guidance/resources/-/ddl_display/ddl/900885743/861774141/maximized

If trustees believe a decision to refuse has not fully understood their circumstances then they may request a decision review: <https://www.gov.uk/government/publications/dissatisfied-with-one-of-the-charity-commissions-decisions-how-can-we-help-you/dissatisfied-with-one-of-the-charity-commissions-decisions-how-can-we-help-you>

Registered charities

Cash accounting (receipts and payments) - gross income £250,000 or less- option for all registered charities (including charitable incorporated organisations) except charitable companies.

Commission Receipts & Payments Accounts pack:

<https://www.gov.uk/government/publications/charity-accounting-templates-receipts-and-payments-accounts>

Accruals (SORP) - required of all charitable companies and those charities ineligible for the cash accounting option (can also be chosen by any charity of any size)

SORP download: <https://www.charitycorp.org/>

Commission accounts pack non-company: <https://www.gov.uk/government/publications/charity-accounting-templates-accruals-accounts-cc17-sorp-frs-102>

Commission accounts pack- charitable company:

<https://www.gov.uk/government/publications/charity-accounting-templates-accruals-accounts-cc17-sorp-frs-102-for-charitable-companies>

Community Benefit Societies

The principles in the applicable Financial Reporting Standards published by the Financial Reporting Council (available at <https://www.frc.org.uk/>) generally apply to societies:

<https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/uk-accounting-standards/frs-102/>