

AIM ADVICE NOTE

FRS30

FINANCIAL REPORTING OF HERITAGE ASSETS IN ANNUAL ACCOUNTS

Financial Reporting Standard 30 - Heritage Assets issued by the Accounting Standards Board (ASB) came into force for accounting periods beginning on or after 1st April 2010. FRS 30 sets out ASB's requirements for the financial reporting of items which are 'Heritage Assets' held by museums, galleries and heritage bodies. (i.e. collections, landscape and buildings) maintained principally for their contribution to knowledge and culture.

FRS30 requires organisations holding assets principally for their contribution to knowledge and culture to provide information about their total holdings of these assets and their stewardship. While encouraging a financial valuation approach, ASB recognises that there can be difficulties in obtaining valuations for heritage assets.

The presumption is that organisations will include as much information on cost or value as possible, for inclusion in balance sheets, to provide 'best financial reporting'. Specifically it argues that *'if heritage assets are not capitalised, the balance sheet will provide an incomplete picture of an entity's financial position. For this reason it is better to report heritage assets in the balance sheet where information is available on cost or value rather than leave these assets out of the balance sheet.'*

This is not a position shared by AIM since it assumes that collections held in trust for the public must form part of the financial position of a charity as if the collection could be readily sold on the open market, even if a realistic valuation for often unique and irreplaceable items could be determined.

Not including heritage assets on the balance sheet does not, in AIM's view, provide 'an incomplete picture' since it is incumbent on museums in any case to publish their catalogues and make their collections (heritage assets) available and as widely known as possible.

Paragraph 9 of the Standard states that: *'For heritage assets that are not reported in the balance sheet, the reasons why should be explained and the notes to the financial statements should explain the significance and nature of those assets that are not reported in the balance sheet'*.

In order to avoid costly and unnecessary valuations we suggest a suitable form of words might be incorporated into the financial statements that form part of your Annual Report and Accounts. An illustrative example is provided below:

'It is the policy of the Trust not to capitalise heritage assets belonging to the Museum. These are in effect inalienable, held in perpetuity, and are mostly

irreplaceable. Any financially based valuation would be misleading to the value and significance of the material culture involved. The trust has a clear duty of care for these assets and to make them available for the enjoyment and education of the public as far as is possible, commensurate with their long term care and preservation. The highest possible standards of collection management are applied, and the catalogues are made available as widely as possible to facilitate all enquiries and requests for information, subject to appropriate security and data protection guidelines.'

There may be some categories of material held by your museum that do not constitute part of your inalienable collections e.g. material held for education use or printed books. You may wish to include these as a financial asset where realistic valuations exist and where they have a significant value.

A copy of **FRS30 - Heritage Assets** can be downloaded from the ASB website: www.frc.org.uk. The Standard includes some useful illustrative examples of model disclosures.

It should be noted that FRS30 does not apply to smaller organisations which meet the criteria for Financial Reporting Standard for Smaller Entities (FRSSE). This covers companies that qualify as 'small' under the Companies Act. This applies to most companies with an annual turnover below £6.5m.

However the Charity Commission requires all charities to note expenditure on heritage assets where they are not shown in the balance sheet. The Charities Statement of Recommended Practice 2005 (SORP) provides a comprehensive framework of recommended practice for charity accounting and reporting. **SORP Information Sheet 3** sets out in section 5 the requirements for reporting heritage assets in more detail. This can be downloaded from the Charity Commission's website: www.charity-commission.gov.uk.

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Charity No: 1082215