

## Art and cultural assets law: charity accounts — new disclosure requirements for heritage assets

16 SEPTEMBER 2010

Emma Flower

SENIOR ASSOCIATE | UK

**CATEGORY:**  
[ARTICLE](#)

**CLIENT TYPES:**  
[ART AND CULTURAL INSTITUTIONS](#)

New accounting disclosures for charities holding heritage assets have come into effect in the UK to ensure that, where possible, the presence of heritage assets is recorded, even if not on the balance sheet.

Consider the following. A museum owns a rare collection of fossils that were donated in the 19th century. Information about the value of the fossils is unavailable and it would be impossible to enter a meaningful figure on the balance sheet of the museum's accounts. Until now, the museum may have disclosed the fossils' existence in full, in part, or not at all, depending on its own accounting practices. The overall result, when comparing one museum to another, is an inconsistency of practice that has rendered the accounts unhelpful.

In June 2009, the Accounting Standards Board ('ASB') published the 'Financial Reporting Standard 30 – Heritage Assets' (the 'FRS') to address criticisms of the current financial reporting requirements for charities. The problem was that very few museums and galleries accounted for their heritage assets at their current value. Assets purchased from 2001 would be entered onto the balance sheet at cost, but anything acquired before that time would not be included. While some institutions would provide supplementary disclosures to compensate for the content of the balance sheet, their quality was inconsistent.

As a result, the FRS, which applies to accounting periods on or after 1 April 2010, requires enhanced disclosures for all heritage assets, regardless of whether they are reported on the balance sheet. This will alleviate the problem of charities reporting only part of their heritage assets, while allowing for the fact that it is not always possible to provide an exact value.

The impact on charities which hold heritage assets should not be excessive. Many of the standards set out by the ASB are in line with recommendations already in the Charities' Statement of Recommended Practice ('SORP') which is published by the Charity Commission.

The key additional requirements relate to enhanced disclosure, which, among other things, now require a charity's financial statements to contain:

- an indication of the nature and scale of the heritage assets held;
- the charity's policy on acquisition, preservation, management and disposal of heritage assets;
- the charity's accounting policies;
- reasons why certain heritage assets are not shown on the balance sheet; and
- a five year history of transactions relating to heritage assets; for example, cost of assets purchased, the value of assets donated and any impairment recognised during this period.

The FRS will apply to all heritage assets that are held and maintained by a charity principally for their contribution to knowledge and culture, be that historical, artistic, scientific, geophysical or environmental.

Going forward, charities should ensure that they assess heritage assets in their possession to determine if a valuation can be made, enabling them to be recorded on future balance sheets.

They should also aim to establish a procedure for the valuation of assets that are acquired in the future, so that these guidelines for enhanced disclosure can be easily met.

# Authors

Emma Flower

SENIOR ASSOCIATE | LONDON

Charities

 +44 20 7597 6627

 [emma.flower@withersworldwide.com](mailto:emma.flower@withersworldwide.com)