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Charities SORP, Attn. Matthew Allen,  
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77 Mansell Street,  
London, E1 8AN

Dear Mr Allen

I apologise for this late submission of my comments.

I have a concern about the SOFA. In essence, I consider that:

- all charities (grant giving, operational or whatever) need to know, and be able in their financial statements to demonstrate, whether their expenditure is covered by their income;
- amounts received on a restricted basis do not constitute income until the relevant expenditure is incurred; until that time they are merely receipts in advance;
- similarly, amounts received for endowment funds do not constitute income (except to the extent that income is received from these funds);

It follows that, in my opinion, it was a mistake to replace the previous headings of 'Incoming resources' with 'Income and endowments from' and 'Net incoming/outgoing resources' with 'Net income/(expenditure)'.

Even under the previous SORP, the position was not always understood. For example, no less a body than the Charity Commission, in its website summaries of financial information relating to a charity, provides two figures, the first described as 'income' and the second as 'spending'.

The problem this creates is that a misleading picture of a charity's financial position might be given. I recognise that this might be corrected by a sophisticated analysis of the accounts. But people in a hurry might not delve too deeply but decide, for example, that a charity did not need support as its income was significantly greater than its 'spending'.

This situation is a particular problem in the case of an operational charity that is raising funds to expand its facilities, for example by providing new or additional premises. The amounts raised over what is often a period of years (and which do not constitute income) will nevertheless be included in the Charity Commission's summary (and indeed in the SOFA) as 'income'.

My minimum request is, therefore, that a new SORP removes words such as 'income', except to the extent that the reference is to unrestricted amounts or to previously restricted amounts that have been expended.

Ideally, and I recognise that this might be an immediate bridge too far given the time in which the SOFA has been around, I would prefer to see the SOFA split into two separate statements, the first being a conventional income and expenditure statement, covering only the unrestricted funds, and a separate statement showing the 'incoming resources' and 'resources expended' (to use the previous wordings), which would clearly show, separately, the movements on the restricted funds and on the endowment funds.

Yours sincerely

(TW Allen)