

Appendices

Appendix 1: Glossary of terms

Accepted (accounting) practice is the accounting policies and estimation techniques specified in relevant Financial Reporting Standards issued by the Financial Reporting Council (Accounting Standards Board) and in the Charities SORP extant at the date that the most recent accounts for a reporting period commencing before 1 January 2015 were approved.

Accounts is a term used in the SORP to refer to the statement of financial activities (SoFA), income and expenditure account (where produced or required by company law), balance sheet, cash flow statement (where provided) and notes to the accounts.

Accruals accounts record the income and expenditure of the charity and the increase or reduction in its assets and liabilities. All income and charges relating to the financial year to which the accounts relate must be taken into account without regard to the date of payment or receipt. Accruals accounts are compiled on a 'true and fair' basis in accordance with accounting standards and the SORP.

Activity classification of costs is the method of identifying the total cost of an activity, including both direct and indirect costs. An activity is a project, programme of work or activity that furthers one or more of a charity's legal purposes, or an activity undertaken to raise funds for the charity.

The SORP identifies three high-level activities for charities preparing accruals accounts: expenditure on raising funds, expenditure on charitable activities and other expenditure.

Asset is a resource controlled by the charity as a result of past events and from which future economic benefits are expected to enable the charity to further its charitable aims.

Audit when referred to in the SORP is the statutory requirement under charity law for an audit of the charity or the group where the charity's or group's gross income and/or assets exceed the relevant threshold. The audit threshold is set by charity law on the basis of the income received in the reporting period and the total assets held at the end of the year.

Balance sheet (also known as a statement of financial position) is a statement of the assets, liabilities and funds of the charity (the funds of the charity may also be known as the residual interest) at the end of the reporting period (accounting period).

Branch - Refer to the SORP module '[Branches, linked or connected charities and joint arrangements](#)'.

Capital is the charity law term used by the SORP for resources received by the charity which the trustees are either legally required to invest or retain and use for the charity's purposes. Capital is the term applied to permanent endowment where the trustees have no power to convert it into income and apply or spend it; the term also applies to expendable endowment where the trustees do have this power.

Accounting and reporting by charities

Charitable companies (company charities) are those charities established under company law for exclusively charitable purposes. The reference to company law is the law as it applies in England and Wales, Scotland, Northern Ireland and the Republic of Ireland. A feature of charitable companies is that of dual registration with the regulator for companies and the charity regulator. Both company law and charity law apply to the annual reporting requirements of a charitable company.

Charity is any institution established for purposes which are exclusively charitable in the law applying in England and Wales, Scotland, Northern Ireland or the Republic of Ireland. A charity includes all those activities, administrative branches and funds falling within the scope of a single governing instrument or for which the trustees are otherwise legally liable to account. The reference to a single governing instrument includes a situation where instruments are supplemental to the main instrument apply.

Charity trustees are the people who, under the governing document, are responsible for the general control and management and administration of the reporting charity. Charity trustees are those defined in section 177 of the Charities Act 2011, section 106 of the Charities and Trustee Investment (Scotland) Act 2005, section 180 of the Charities Act (Northern Ireland) 2008 or Part 1 of the Charities Act 2009 (Republic of Ireland). In the charity's governing document, trustees may be called trustees, committee members, governors or directors, or they may be referred to by some other title. In the case of a company charity it is the directors who are the charity trustees.

Combined financial statements (aggregated accounts) are accounts prepared by the reporting charity which aggregate the assets and liabilities and income and expenses of one or more connected charities with those of the reporting entity itself. Combined accounts provide a 'true and fair' view of all of the charities controlled and administered by the trustees of the reporting charity.

Common deposit funds (CDFs) are collective investment schemes that are authorised to accept deposits and are for charity investors only. They are investment vehicles that pool deposits and provide diversification to reduce risk, and are tax efficient, cost effective and administratively simple. They are deemed by law to be charities themselves, and enjoy the same tax status as other charities.

Common investment funds (CIFs) are collective investment schemes that are similar to authorised unit trusts and are for charity investors only. They are investment vehicles that provide diversification to reduce risk, and are tax efficient, cost effective and administratively simple. They are deemed by law to be charities themselves, and enjoy the same tax status as other charities.

Consideration is the term for the resources used to settle a transaction or the making of a payment in cash or kind.

Consolidated accounts is an accounting term for the accounts (financial statements) of a parent and its subsidiaries presented as those of a single economic entity.

Accounting and reporting by charities

Constructive obligations is an accounting term for obligations that derive from actions where:

- through an established pattern of past practice, published policies or a sufficiently specific current statement, the reporting charity has indicated to other parties that it will accept certain responsibilities; and
- as a result, the charity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset is an accounting term for a possible asset that arises from past events. Its existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent liability is an accounting term for either:

- a possible obligation that arises from past events where its existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a present obligation that arises from past events but is not recognised in the accounts – either because it is not probable that a transfer of economic benefits will be required to settle the obligation, or because the amount of the obligation cannot be measured with sufficient reliability.

Contract income is income received by a charity for the purpose of providing the goods or services under the terms of a legal contract. It is important that trustees establish from the outset whether the receipt of income is subject to a legally binding contract for the supply of goods or services.

Indicators of a contract for the supply of services are:

- the payer, rather than the recipient charity, has taken the lead in identifying the services to be provided; and/or
- the arrangement provides for damages to be paid in the case of a breach of its terms, rather than, for example, for total or partial refund of the payment made.

If there is no contract, the rights and obligations of the parties will depend primarily on the law of trusts and conditional gifts, rather than on the law of contract; such arrangements are termed 'performance-related grants' by the SORP. A contractual payment to the charity will normally be unrestricted income of the charity.

Control (of an entity) is the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. For example, a charity may exercise control over a subsidiary in order to raise funds for the charity through trading activities or as a vehicle to carry out certain of the charity's aims.

Current (accounting) practice are accounting policies set out in relevant Financial Reporting Standards, including the FRSSE, in effect for reporting periods starting on or after 1 January 2015. Current practice includes the accounting policies and estimation techniques specified by this SORP.

Custodian trustees have no power to make management decisions and can only act on the lawful instructions of the charity trustees regarding the property they hold on behalf of the charity. The term custodian trustee includes any non-executive trustee in whose name property belonging to the charity is held.

De facto trustee is a person who has not been validly appointed as a trustee but is acting as the trustee of the charity and is exercising the functions that could only be properly discharged by a trustee. This may have come about due to an error, omission or oversight in the appointment process of that trustee. A trustee who is a de facto trustee of a company charity may alternatively be known as a de facto director.

Deferred income consists of resources received by a charity that do not meet the criteria for recognition as income in the statement of financial activities (SoFA) because entitlement to the income does not exist at the balance sheet date. Deferred income is not recognised in the SoFA until the charity is entitled to the income. Instead, deferred income is disclosed as a liability in the balance sheet.

Defined benefit pension scheme (sometimes known as a final salary pension scheme) is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits paid are not directly related to the investments of the scheme.

Defined contribution pension scheme is a retirement benefit plan under which an entity pays fixed contributions into a separate entity (a fund), and has no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Designated fund is a portion of the unrestricted funds of the reporting charity that has been set aside for a particular purpose by the trustees. For example, the value of functional fixed assets used to further the charity's aims may be identified as a separate designated fund. Designated funds continue to count as part of the unrestricted funds of the charity, but the trustees may choose to exclude designated funds from the calculation of the charity's reserves.

Donated services and facilities include gifts of facilities or services including any contribution from volunteers. Donated services and facilities can also be referred to as intangible income.

Donations comprise gifts that will not provide any economic return to the donor other than the knowledge that someone will benefit from the donation. Income from donations includes gifts that must be spent on some particular area of work (i.e. restricted income funds) or given to be held as endowment funds. Donations will normally include gifts in kind and donated services.

Donations, for accounting presentation purposes, exclude any gifts such as performance-related grants where entitlement is dependent on the performance of a particular level of service or units of output being delivered.

Economic benefits refers to the value derived from an asset in terms of cash flows generated, its cash flow generating capacity, or the service potential created, or costs saved or avoided by having control over the asset.

Emoluments include all salary and bonus payments made to staff during the reporting period by the charity including the value of any taxable benefits.

Endowment funds are resources received by the charity that represent capital. A feature of endowment funds is that charity law requires the trustees to invest it or to retain and use it for the charity's purposes. The term endowment applies to permanent endowment, where the trustees have no power to convert it into income and apply it, and to expendable endowment where the trustees do have this power.

Existing (accounting) policies are those accounting policies and accounting disclosures adopted by the charity for the preparation of its accounts for the reporting period immediately prior to the first reporting period beginning on or after 1 January 2015. It will include the accounting policies followed by the charity in adopting the previous Charities SORP (SORP 2005) and those policies that were developed with regard to the accounting standards approved by the Financial Reporting Council (Accounting Standards Board) that were current at that time.

Ex gratia payments are payments made at the discretion of trustees and not as a result of a contract or other legal obligation.

Ex gratia payments are of two distinct types:

- those which, in furtherance of the charity's charitable aims, are ex gratia payments by a charity in relation to its charitable activities (for example extra payments to retiring employees); and
- those which are not in furtherance of the charity's charitable aims and are ex gratia payments that the trustees believe are expedient to make as a result of a compelling moral obligation.

Fair value is the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. For traded securities in which there is an established market, the fair value is the value of the security quoted in the London Stock Exchange's Daily Official List or equivalent. For other assets where there is no market price on a traded market, it is the trustees' or valuer's best estimate of fair value. In these circumstances, fair value measurement aims to estimate an exchange price for the asset or liability being measured in the absence of an actual transaction for that asset or liability.

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fundraising costs consist of three categories:

- costs of generating donations;
- fundraising trading costs, which are the costs of trading to raise funds and include the cost of goods sold and any other costs associated with a trading operation; and
- investment management costs.

Funds is a legal term for the money and other assets held on trust. A fund may be unrestricted and available to apply or spend on any of the purposes of the charity or it may be restricted to a specified purpose or purposes.

Restricted funds may be either endowment or restricted income funds, depending on the nature of the restriction. Where the fund is not endowment and is held on trust for spending on specific purposes, it is known as a restricted income fund. Each fund is a pool of resources that is held and maintained separately from other pools because of the circumstances in which the resources were originally received, or the restrictions on that fund which determine the way those resources are subsequently to be treated. Refer to the SORP module '[Fund accounting](#)' for the legal position as regards the various funds of a charity.

General volunteer is a term used in the SORP for a person who is giving unremunerated assistance to the charity of any kind other than assistance which is related to their trade or profession.

Governance costs are the costs associated with the governance arrangements of the charity. These costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements, for example the cost of trustee meetings and preparing statutory accounts.

Included within governance costs are any costs associated with the strategic as opposed to day-to-day management of the charity's activities. These costs will include any emoluments for trusteeship, the cost of charity employees involved in meetings with trustees and the cost of any administrative support provided to the trustees.

Governing document is a legal term and means any document that sets out the charity's purposes for the public benefit and how it is to operate. It may be a trust deed, constitution, memorandum and articles of association, scheme of the Commission, Royal Charter, conveyance or will.

Government includes government and inter-governmental agencies and similar bodies whether local, national or international.

Grant income is any voluntary income received by the charity (or other transfer of property) from a person or institution. The income or transfer may be for the general purposes of the charity, or for a specific purpose. It may be unconditional or be subject to conditions which, if not satisfied by the recipient charity, may lead to the grant property acquired with the aid of the grant or part of it being reclaimed by the grant-maker.

Entitlement to grant income may be subject to performance conditions, in which case it is classified as a performance-related grant and is recognised as the performance conditions are met.

Grant payments are any voluntary payments (or other transfer of property) in favour of a person or institution made by a charity in furtherance of its charitable aims. The payment or transfer may be for the general purposes of the recipient, or for some specific purpose such as the supply of a particular service. It may be unconditional, or be subject to conditions which, if not satisfied by the recipient, may lead to the grant, or property acquired with the aid of the grant or part of it being reclaimed by the charity.

A charity may make a performance-related grant, in which case it recognises its liability, as the goods or services specified in the grant terms are provided by the recipient.

Gross income is a term defined in charity law and is used to determine the thresholds governing the requirements for accounts' scrutiny, the preparation of accruals accounts by non-company charities, submission of reports and accounts and any annual return to the charity regulator.

The definition of gross income may vary by jurisdiction. In relation to consolidated accounts, gross income is the gross income of the group after any adjustments arising from consolidation (e.g. intra-group sales).

Group accounts is an alternative term for consolidated accounts.

Heritage assets are tangible and intangible assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Impact reporting is the term used in this SORP to describe the difference a charity's work has made to the circumstances of its beneficiaries and, if practicable, any wider benefits to society as a whole.

Inalienable asset is an asset held by a charity which it must retain indefinitely. Inalienable assets have all of the following characteristics:

- The asset is retained indefinitely for a charity's own use and benefit to further its charitable aims.
- The charity is effectively prohibited from disposing of the asset without external consent.
- The asset, by its nature, will belong to a charity's restricted funds and, depending on the trusts attached to the asset, may be part of the permanent endowment.

Disposal without external consent could be prohibited by the charity's governing document, the donor's imposed conditions or in some other way. Normally, the asset will belong to the charity's 'permanent endowment', where it is held on trusts that contemplate its retention and continuing use but not its disposal.

However, in the case of a gift in kind of a 'wasting asset', such as a building, a long lease or a non-durable artefact, the terms of trust may not have provided for its maintenance in perpetuity or its replacement. In that case, the asset will be expended to the extent of the aggregate amount of its depreciation, properly provided for in the annual accounts (i.e. based on its currently anticipated useful life).

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

Investment management costs include the costs of:

- portfolio management;
- obtaining investment advice;
- administration of the investments; and
- rent collection, property repairs and maintenance charges relating to investment properties.

Investment property is an interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which is held for its investment potential, any rental income being negotiated at arm's length, but excluding:
 - a property that is owned and occupied by a company for its own purposes; and
 - a property let to and occupied by another group company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the charity. This definition includes trustees and those members of staff who are the senior management personnel to whom the trustees have delegated significant authority or responsibility in the day-to-day running of the charity.

Larger charities is a term used in the SORP to identify those charities subject to audit under charity law in their jurisdiction(s) of formation, registration or operation which the SORP requires to make additional reporting disclosures. In those jurisdictions where there is no charity law audit requirement, the reference to larger charities is construed as applying to those charities with a gross income exceeding £500,000 (UK) or €500,000 (Republic of Ireland) in the reporting period.

Legal purposes is the term used to describe what the charity has been established to do as set out in its governing document.

Liability is an accounting term for a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of economic resources from the entity.

It includes an obligation of an entity to transfer economic benefits that results from a duty or responsibility obligating the entity either legally or practically (a constructive obligation), because it would be financially or otherwise operationally damaging to the entity not to discharge the duty or responsibility.

A moral obligation does not create a liability unless it meets the definition of a liability or the definition of a constructive obligation.

Material or **materiality** is an accounting test of what elements of information should be given in a particular set of accounts (financial statements). Omissions or misstatements of items are material if they could individually or collectively influence the economic decisions of users taken on the basis of the accounts.

Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor in identifying whether it is material.

Immaterial information will need to be excluded to avoid clutter that impairs the ability to understand other information provided. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects.

Accounting and reporting by charities

Materiality is identified from a combination of factors, rather than any one in particular. The principal factors normally taken into account are:

- the item's size judged in the context of the accounts as a whole and the other information available to users that would affect their evaluation of the accounts (this includes, for example, considering how the item affects the evaluation of trends and similar considerations; and
- the item's nature in relation to:
 - the transactions or other events giving rise to it;
 - the legality, sensitivity, normality and potential consequences of the event or transaction;
 - the identity of the parties involved; and
 - the particular headings and disclosures that are affected.

If there are two or more similar items, the materiality of the items in aggregate as well as of the items individually needs to be considered.

The person preparing the accounts is responsible for deciding whether an item is material. This process may result in different materiality considerations being applied, depending on which aspect of the accounts is being considered. For example, there is a requirement for a high degree of accuracy in the case of certain disclosures, for example trustees' remuneration and expenses, which will override normal materiality considerations.

Measurement is the process of determining the monetary amounts at which the elements in the accounts are to be recognised and carried.

Non-company charity is any charity that has not been established as a company charity under company law. Non-company charities include unincorporated trusts or associations, charitable incorporated organisations and charities established by Royal Charter.

Onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected under the contract.

Performance-related grant is the term used to describe a grant that has the characteristics similar to those of a contract, in that:

- the terms of the grant require the performance of a specified service that furthers the objectives of the grant-maker; and
- entitlement to the grant receivable is conditional on a specified output being provided by the grant recipient.

Pooling scheme is a class of Common Investment Fund that provides for the pooling of investments belonging to two or more charities (which may be special trusts) that are administered by the same trustee body as the body managing the pooling scheme. Such schemes are referred to as 'pool charities', and may be established with or without a formal scheme of the Charity Commission (England and Wales) or the courts.

Accounting and reporting by charities

Programme related investments are a type of social investment and are made directly in pursuit of the charity's charitable purposes. The primary motivation for making a programme related investment is not for financial gain but to further the objects of the funding charity. Programme related investments can generate some financial return, and the funding may or may not be provided on commercial terms. Such investments could include loans to individual beneficiaries (such as for housing deposits) or to other charities (for example, in relation to regeneration projects).

Provision is an accounting term for a liability of uncertain timing or amount.

Related parties is a term used by the SORP that combines the requirements of charity law, company law and the Financial Reporting Standard for Smaller Entities (the FRSSE). The term is used to identify those persons or entities that are closely connected to the reporting charity or its trustees.

The following 'natural persons' are classed as related parties:

- A. any charity trustee and custodian trustee of the charity;
- B. a person who is the donor of any land to the charity (whether the gift was made on or after the establishment of the charity); and
- C. any person who is:
 - 1. a child, parent, grandchild, grandparent, brother or sister of any such trustee (A) or donor (B) of land;
 - 2. an officer, agent or a member of the key management personnel of the charity;
 - 3. the spouse or civil partner of any of the above persons (A, B, C1 and C2);
 - 4. a person carrying on business in partnership with any of the above persons (A, B, C1, C2 and C3);
 - 5. a person, or a close member of that person's family, who has control or joint control over the reporting charity; and
 - 6. a person, or a close member of that person's family, who has significant influence over the reporting charity.

'Close member of a person's family' refers to:

- a. that person's children or spouse;
- b. the children, stepchildren or illegitimate children of that person's spouse or domestic partner;
- c. dependents of that person; and
- d. that person's domestic partner who lives with them as husband or wife or in an equivalent same-sex relationship.

A charity is not necessarily related to another charity simply because a particular person happens to be a trustee of both. It will only be 'related' if the relationship means that one charity, in furthering its charitable aims, is under the direction or control of the trustees of another charity.

Accounting and reporting by charities

The following entities, which are not 'natural persons', are classed as related parties of a reporting entity (including a reporting charity) if any of the following conditions apply:

- the entity and the reporting charity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a group of which the other entity is a member);
- both entities are joint ventures of the same third entity;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;
- an entity that is controlled or jointly controlled by a person, or two or more persons, identified in A, B or C;
- an entity in which a person, or two or more such persons, identified in A, B or C, taken together, have a substantial interest or significant influence over the entity;

Control is presumed to exist when one or more persons identified in A, B or C, taken alone or together, hold directly or indirectly, more than half the voting power of an entity. However, control can also exist when they, directly or indirectly, control half or less than half of the voting power of an entity, if they have:

- power over more than half of the voting rights by virtue of agreement with other investors;
- the power to govern the financial and operating policies of the entity under a statute or an agreement;
- the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and control of the entity is by that board or body; or
- the power to cast the majority of votes at the meetings of the board of directors or equivalent governing body, and control of the entity is by that board or body.

An individual has a substantial interest or significant influence in an entity where that person, or two or more persons identified in A, B or C, taken together, have an interest in the equity share capital of that entity of a nominal value of more than one-fifth of that share capital, or is entitled to exercise, or control the exercise of, more than one-fifth of the voting power at any general meeting of that entity.

Related party transactions are the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Reporting charity is the charity preparing and filing the statutory annual report and accounts (financial statements) for itself and one or more connected (Scotland) or linked (England and Wales) charities or subsidiaries that it controls. The accounts of the reporting charity will combine any special trusts or connected or linked charities administered by the reporting charity. The accounts of the reporting charity will be consolidated where they include one or more subsidiaries.

Accounting and reporting by charities

Reporting date is the last date of the charity's reporting period (its accounting period or financial year).

Reporting period is the accounting period (financial year) for the reporting charity. The reporting period, which is normally 12 months long, is the period of time over which the transactions of the charity are measured and reported in the accounts (financial statements).

Reserves - Refer to SORP module '**Trustees' annual report**'.

Restricted funds may be either endowment or restricted income funds, depending on the nature of the restriction. Where the fund is not an endowment fund and is held on trust for spending on specific purposes, it is known as a restricted income fund.

The resources (the assets and liabilities) of each restricted fund are held and maintained separately from other funds. This is in recognition of the circumstances in which the resources were originally received, and/or the restrictions on that fund that determine the way those resources are subsequently to be treated.

Significant activities are the activities that the trustees consider to be the main or the most important activities undertaken to further the charity's aims and objectives in the reporting period.

Social investment is a class of assets that comprises investments undertaken for both a financial return and to (in whole or part) further the investing charity's charitable aims and objectives.

Social lotteries are lotteries that are permitted by the law of the jurisdiction(s) in which the charity is fundraising and are not operated for private or commercial gain for a non-charitable purpose. The regulations applying to social lotteries normally have limitations on the amount of money that can be raised through the sale of tickets, and/or have specific requirements for registration or licensing. They may also set limits on the size of the prize or prize fund.

Special trust as defined in section 287 of the Charities Act 2011 (charities registered in England and Wales only) is property that 'is held and administered by or on behalf of a charity for any special purposes of the charity, and is so held or administered on separate trusts relating only to that property'. Whether registered or not, a distinguishing feature of special trusts is that they do not file a separate trustees' annual report and accounts. Instead, a reporting charity combines within its annual report and accounts the results of the special trusts it holds or administers as a component of the restricted funds it reports.

Statement of financial activities (SoFA), analogous to a statement of comprehensive income, shows the charity's income, expenditure, gains and losses and transfers between funds during the reporting period (the financial year). The statement reconciles total funds brought forward and total funds carried forward at the end of the financial year.

Stock (also known as inventories) is assets which are:

- held for sale in the ordinary course of business;
- in the process of production for sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering or providing of services.

Accounting and reporting by charities

Support costs are costs incurred to facilitate an activity. Unlike direct costs, which result directly from undertaking the activity, support costs do not change directly as a result of the activity undertaken. Support costs include the central or regional office functions, such as governance, general management, payroll administration, budgeting and accounting, information technology, human resources and finance.

Total return is an approach to investment management that allows trustees to manage investments without the need to take account of whether the return is income (dividends, interest, etc.) or capital gains (and losses). Refer to the SORP module '[Total return \(investments\)](#)' for more information.

Trading is an activity which has the 'badges of trade' that have been established by the courts. These are: profit-seeking motive; existing trade connections (linked or connected trading activity); repetition; method of finance (borrowing); interval between purchase and sale; selling organisation; method of acquisition (purchased for sale); operations pending sale (making it fit for sale); and the nature of the asset.

Trustees has the same meaning as charity trustees.

Unrestricted fund is a legal term for the unexpended resources held by a charity on trust, comprising money and other assets that can be used for any of the charitable aims of the charity. The use of unrestricted funds is not restricted to any particular charitable purpose of the charity.