

Selection 2: Accounting for special types of assets held

18. Accounting for heritage assets

Introduction

- 18.1. This module applies to all charities which hold heritage assets. Charities holding heritage assets should refer to section 34 of FRS 102.
- 18.2. This module sets out:
- definition of a heritage asset;
 - recognition and measurement of heritage assets on the balance sheet;
 - how to measure heritage assets that have been purchased;
 - how to measure heritage assets that have been donated;
 - depreciation and impairment of heritage assets;
 - accounting treatment for heritage assets recognised on the balance sheet;
 - disclosures required for all charities holding heritage assets;
 - disclosure of heritage assets recognised on the balance sheet;
 - disclosure of heritage assets not recognised on the balance sheet; and
 - disclosure of a five-year summary of transactions.

Definition of a heritage asset

- 18.3. A heritage asset is a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
- 18.4. An asset may have the attributes of a heritage asset, for example it may be of historic or artistic importance, but unless it is also held and maintained for its contribution to knowledge and culture then it will not fall within the definition of a heritage asset.
- 18.5. Assets with heritage attributes may be used operationally for purposes unconnected with the promotion of knowledge and culture or even held as investments. In such instances, the asset is accounted for within tangible fixed assets or investments as appropriate.

For example:

- A historic building used by an educational establishment for teaching would not be accounted for as a heritage asset because it is held to provide a facility for teaching rather than the building itself contributing to knowledge and culture.
 - In the case of a museum or gallery, it is the collections held and not the buildings or display cases that house them that will be treated as heritage assets unless the structures themselves also have the attributes of a heritage asset and are held principally for their contribution to knowledge and culture.
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- Works of art or historic buildings principally held for investment purposes are categorised as investments, as they are held for investment gain or for income generation rather than for their contribution to knowledge and culture.
- 18.6. Similarly, a requirement to hold and maintain an asset, for example as an endowment, does not mean that asset is held for its contribution to knowledge and culture.
- For example:
- An inalienable building or painting, which must be retained indefinitely by a charity due to the terms of a gift, is not a heritage asset unless it meets the definition of a heritage asset.
- 18.7. However, a heritage asset used incidentally for operational purposes unconnected with the promotion of knowledge and culture may still fall within the definition of a heritage asset.
- For example:
- A historic building incidentally used for service or administrative activities by a charity but principally held and maintained for its contribution to knowledge and culture is accounted for as a heritage asset.
- 18.8. Although a heritage asset is normally tangible, it is possible for it to be intangible.
- For example:
- A library of digital recordings or film rights can be a heritage asset if it is held for its contribution to knowledge and culture.
- 18.9. Heritage assets may include abbeys, monasteries, cathedrals and historic churches and monuments where a contribution to knowledge and culture is ancillary to faith or other purposes.
- 18.10. Similarly, the artefacts contained within, or associated with, such assets may also be heritage assets. For example, associated artefacts could include religious artefacts contained within a cathedral or historic church.
- 18.11. Charities that do not have preservation or conservation purposes should account for an asset as a heritage asset only if that asset:
- has historic, artistic, scientific, technological, geophysical or environmental qualities;
 - contributes to knowledge and culture through its retention and use; and
 - is accessible to the public for viewing and/or research.

Recognition and measurement of heritage assets on the balance sheet

- 18.12. Heritage assets must be recognised as an asset on a charity's balance sheet separately from other assets where practicable. Heritage assets are reported as a separate class of tangible fixed asset on the balance sheet and should be measured initially at either their cost or valuation if donated.
- 18.13. Heritage assets initially recognised at cost may continue to be carried at historical cost subject to any depreciation or impairment, or charities may choose to adopt a policy of valuation.
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- 18.14. Charities are not required to recognise heritage assets on the balance sheet if information on their cost or valuation is not available and such information cannot be obtained at a cost commensurate with the benefit to the users of the accounts and to the charity. Where reliable information on cost or value is not available, charities will need to consider if the cost of obtaining a valuation is justified by the usefulness of the information to the users of the accounts and to the charity for its own stewardship purposes.
- 18.15. Charities may adopt any reliable valuation technique to estimate the fair value of a heritage asset. For example, for some heritage buildings, the use of market value may provide a reasonable approach; in other cases, the use of depreciated replacement cost may be appropriate. However, depreciated replacement cost may not be an appropriate method where a building cannot be replicated using modern building methods or where the value of the original asset lies in its unique historic or heritage qualities. If a valuation method is adopted, it must be applied to all assets within a particular class or to a group of similar assets.

How to measure heritage assets that have been purchased

- 18.16. When a heritage asset is purchased, its cost of acquisition will be known and therefore the asset must be recognised initially at this amount. Should the acquisition be by way of an exchange of assets, the cost of acquisition is represented by the carrying amount of the asset exchanged and any cash settlement made or payable at the date the charity assumed legal title or control of the acquired asset. A heritage asset that is recognised initially at its cost may be subsequently carried at a valuation where a charity adopts a policy of carrying its heritage assets (or group of heritage assets) at valuation. There is no prescribed minimum period between valuations. However, if the valuation model is adopted, the carrying amount of the asset should be reviewed with sufficient frequency to ensure that the valuations remain current.

How to measure heritage assets that have been donated

- 18.17. Heritage assets donated to the charity should be recognised initially at their fair value where practicable. Fair value can often be estimated by reference to recent market transactions or binding sale agreements between knowledgeable, willing parties in an arm's length transaction in identical assets or in assets that are substantially the same as the asset being measured. Fair value may be determined by the appraisal of market-based evidence by trustees or staff who have relevant skills, knowledge and experience or by a professionally qualified valuer. Where no market-based evidence exists, depreciated replacement cost may be used to estimate the fair value of certain properties held as heritage assets. If a reliable estimate cannot be made of the asset's fair value or the cost of valuation is likely to exceed the benefits provided by the information, the asset is not recognised in the accounts and the relevant note disclosures concerning the nature of asset and its accounting treatment must be provided.
- 18.18. Where a heritage asset has been acquired by way of donation or other form of non-exchange transaction, the initial valuation may be treated as its deemed cost removing the need for subsequent revaluations.
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Depreciation and impairment of heritage assets

18.19. A heritage asset must be depreciated over its useful economic life. However, certain heritage assets may have indefinite lives and are therefore not depreciated. In either case, a heritage asset must be reviewed at the reporting date for impairment. Impairment may be due to physical deterioration, breakage, new evidence giving rise to doubts as to its authenticity, or other factors.

Accounting treatment for heritage assets recognised on the balance sheet

18.20. When heritage assets are recognised on the balance sheet, a charity must:

- present heritage assets as a separate class of fixed asset in the balance sheet;
- provide an analysis, in the notes to the accounts, of those classes or groups of heritage assets reported at cost and those reported at valuation;
- include the value placed on any heritage asset gifted to the charity in the 'income from donations and legacies' heading in the statement of financial activities (SoFA) and allocate that income to a restricted fund when the use of the asset is restricted;
- recognise any change in the valuation of a heritage asset as a 'gain or loss on revaluation of fixed assets' in the SoFA;
- recognise any gain on the disposal of a heritage asset as 'other income' in the SoFA; and
- recognise any loss on disposal, depreciation or impairment of a heritage asset as a cost of charitable activities in the SoFA.

Disclosures required for all charities holding heritage assets

18.21. All charities must disclose the following for all heritage assets held:

- an indication of the nature and scale of heritage assets held;
- the policy for the acquisition, preservation, management and disposal of heritage assets (including a description of the records maintained by the charity of its collection of heritage assets and information on the extent to which access to the assets is permitted); and
- the accounting policies adopted for heritage assets, including details of the measurement bases used.

18.22. The above notes should be brief but sufficiently informative. Charities providing further information on these matters in the trustees' annual report should include a cross reference to the annual report in the notes.

18.23. The disclosures relating to heritage assets can be aggregated for groups or classes of heritage assets provided that this does not obscure significant information.

Disclosure of heritage assets recognised on the balance sheet

18.24. When heritage assets are recognised on the balance sheet, all charities must disclose:

- the carrying amount of heritage assets by class or group both at the beginning of the reporting period and at the reporting date, distinguishing between classes or groups of heritage assets recognised at cost and those recognised at valuation at the reporting date; and
- where assets are recognised at valuation, sufficient information to assist in understanding the valuation being recognised (date of valuation, method used, whether carried out by external valuers and, if so, their qualifications, and any significant limitations on the valuation).

18.25. Charities may choose to present a reconciliation of the movements between the opening and closing carrying amount(s) in the balance sheet for heritage assets. This information may be presented in a tabular format (see Table 14).

Table 14: Analysis of heritage assets

Basis of capitalisation	At valuation Group A	At cost Group B	Total
	£	£	£
Carrying amount at beginning of the reporting period	X	X	X
Additions	X	X	X
Disposals	(X)	(X)	(X)
Depreciation/impairment	(X)	(X)	(X)
Revaluation	X	-	X
Carrying amount at reporting date	X	X	X

Disclosure of heritage assets not recognised on the balance sheet

18.26. When heritage assets have not been recognised in the balance sheet, charities must:

- explain the reasons why;
- describe the significance and nature of those assets; and
- disclose information that is helpful in assessing the value of those assets.

18.27. In exceptional circumstances where it is not practicable to obtain a valuation of heritage assets acquired by donation the reason why it is not practicable must be stated.

Disclosure of a five-year summary of transactions

- 18.28. All charities must provide a summary of transactions relating to heritage assets for the reporting period and for each of the previous four reporting periods disclosing:
- the cost of acquisition of heritage assets;
 - the value of heritage assets acquired by donation;
 - the carrying amount of heritage assets disposed of in the period and the proceeds received; and
 - any impairment recognised in the period.
- 18.29. The summary must show separately those transactions that are included in the balance sheet and those that are not. Charities that have been operating for fewer than five years must provide information for such prior periods as are available. The required information may be presented in a tabular format (see Table 15).
- 18.30. The disclosures required in the five-year summary need not be given for any accounting period earlier than the period immediately before 1 January 2015 if it is impractical to provide this information; a statement explaining why it is impractical must be provided.
- 18.31. Charities should note that the accounting disclosures required for heritage assets are similar to those of the withdrawn Financial Reporting Standard 30 'Heritage Assets' which was in effect from 1 April 2010. The information required to provide a summary of heritage asset transactions should therefore be available to those charities which have been operating since 2010.
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Table 15: Summary analysis of heritage asset transactions

	2015	2014	2013	2012	2011
	£	£	£	£	£
Purchases					
Group A					
Group B					
Donations					
Group A					
Group B					
Total additions					
Charge for impairment					
Group A					
Group B					
Total charge for impairment					
Disposals					
Group A: carrying amount					
Group B: carrying amount					
Total disposals					
Proceeds from disposals					
Group A: sale proceeds					
Group B: sale proceeds					
Total sale proceeds					