**XXXX HSC Trust**

**Trust Funds Accounts for the year ended 31 March 201X**

**NOTES TO THE ACCOUNTS**

**1. Accounting Policies**

**1(a) Basis of preparation**

The financial statements have been prepared under the historic cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) with additional disclosures as required by FRS 102 and with relevant guidance issued by the Department of Health. (Where appropriate prior year figures have been restated to give comparative values).

[Update Bulletin 1 issued February 2016 amended the Charities SORP and a Statement of Cash Flows is now only required for larger Charities. Larger Charities include those charities with a gross income exceeding £500,000 in the reporting period. The Trust Funds held by the XXXX HSC Trust had a gross income of less than £500,000 during 201X/x and therefore the Trust Funds are exempt from cash flow preparation.]

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been presented in sterling which is also the functional currency of the XXXX Trust Funds.

The Trust Funds meet the definition of a public benefit entity under FRS 102.

The financial statements have been prepared on a going concern basis.

**1(b) Structure of Funds**

Where there is a legal restriction on the purpose for which a fund may be used, the fund is classified either as an endowment fund, where the donor has expressly provided that only the income of the fund may be expended, or as a restricted fund, where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose.

The major funds held in each of these categories are disclosed in Note 12.

**1(c) Incoming Resources**

All incoming resources are included in full in the statement of financial activities as soon as the following three factors can be met:  
  
i) entitlement - arise when a particular resource is receivable or the charity's right becomes legally enforceable;  
ii) probability - where there is a reasonable certainty that the incoming resource will be received;  
iii) measurement - when the monetary value of the incoming resources can be measured with sufficient reliability.

**1(c) (i) Income from donations and legacies**

This includes all income received by the Trust Funds that is a gift or bequest made on a voluntary basis, for any purpose.

Legacies are recognised when it is probable that they will be received

**1(c) (ii) Income from charitable activities**

This included income earned both from the supply of goods or services under contractual arrangements and from performance-related grants which have conditions specifying the provision of particular goods or services by the charitable funds

**1(c) (iii) Other Income**

This includes income from groups that have undertaken fundraising activities, income from charity vouchers and any other miscellaneous income

**1(c) (iv) Investment Income**

This is income earned from holding assets for investment purposes and includes dividends and interest.

**1(d) Resources Expended and Irrecoverable VAT**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. All expenditure is recognised once there is a legal or constructive obligation committing the charity to the expenditure. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

**1(d) (i) Expenditure on raising funds**

This includes all expenditure incurred by the Trust Funds on the management of its investment funds.

**1(d) (ii) Expenditure on charitable activities**

This includes all expenditure by the Trust Funds in undertaking activities that further its charitable aims for the benefit of its beneficiaries as shown in Note 7. These costs where not wholly attributable, are apportioned between the categories of charitable expenditure.

**1(d) (iii) Allocation of Support Costs**

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include the Management Fee paid to the XXXX HSC Trust for provision of clerical and administration support. These costs have been allocated between expenditure on charitable activities. The bases on which support costs have been allocated are set out in Note 6.

**1(e) Fixed Asset Investments**

Investments are stated at market value as at the Balance Sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year. Details of movements in fixed asset investments during the year are shown in Note 9.

**1(f) Realised Gains and Losses**

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (purchase date if later). Unrealised gains and losses are those gains or losses arising from increases or decreases in the value of investments that have not been sold (hence unrealised) at the reporting period end. These are calculated as the difference between the carrying value at the year end and opening market value (or purchase date if late). Unrealised gains and losses are allocated across the appropriate funds (ie those funds for which investments are held) according to the closing value of funds at the year end.

**1(g) Gifts in Kind**

Assets given for distribution by the charity are included in the Statement of Financial Activities only when distributed.

In all cases the amount at which the gifts are brought into the account is either a reasonable estimate of their value to the charity or the amount actually realised. The basis of the valuation is disclosed in the Trustees’ Annual Report.

Assets given for use by the charity (eg property for its own occupation) are included in the Statement of Financial Activities as incoming resources within Corporate Donations when receivable.

Gifts made in kind but on trust for conversion into cash and subsequent application by the charity are included on the accounting period in which the gift is sold.

**1(h) Debtors**

Debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1(i) Creditors**

Creditors are recognised where the Trust Funds have a present obligation resulting from a past event that will probably result in the transfer of monies to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

**1(j) Financial Instruments**

The Trust Funds only have financial assets and liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**1(k) Going Concern**

There are no material uncertainties about the Trust Funds ability to continue as a going concern.

**1(l) Key Judgements and Assumptions**

The Trust Funds make estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. The most significant areas of uncertainty that affects the carrying value of assets held by the Trust Funds are the level of investment return and the performance of investment markets.

Also consider:

**Donated Assets/Tangible/Intangible fixed assets**

* The Trust Funds do not have any tangible fixed assets (201x £nil), or
* Capitalisation – categories and criteria; Valuation; depreciation; impairments