



**DESIGNING A MULTI-DIMENSIONAL
CHART OF ACCOUNTS FOR THE
CHARITY SORP**

Contents

1	Preface	2
2	Introduction	4
3	The Charity SORP	5
4	Chart of Accounts	6
5	Fund Accounting	9
6	Activities	10
7	Departments	11
8	Governance & Support Costs	12
9	The Key SORP Reports	14
10	Aedon.Charities	15
11	Appendices	18
12	Conclusion	41



1. Preface

This paper started when I was asked by a new client to give them a Chart of Accounts (COA) that would satisfy the Charity Statement of Recommended Practice (SORP). I had not heard of nor read the SORP up until that point and it had taken me several weeks before I felt confident enough to respond to their request.

Why did it take so long you might ask? I am not an academic or a prize-winning student accountant. I am an experienced accountant who has spent the vast majority of his consulting career designing and implementing financial systems. I am used to reading technical documents, but the SORP is very challenging. I will say more later.

It is important to understand that the SORP is mandatory for all charities, so all charity treasurers, finance directors, accountants and advisers need to understand it. Questioning my immediate peer group, both accountants in practice and charity treasurers, would indicate that very few actually do.

The 2019 SORP is currently undergoing revision, although the consultation process is now closed; I asked to see if I could contribute and was politely refused. The next revision was originally scheduled for 2024, but is now expected in 2025. I have spoken with two of the Engagement Strand Leads and neither have indicated that there will be any major changes, except those required by changes to the Financial Reporting Statement FRS 102 and the Charities Act 2022. But we will see.

At the heart of the SORP is the notion of Fund Accounting. All charity income of any kind is allotted to different types of restricted and unrestricted funds and then these are spent on different activities.

Furthermore, larger charities - those with an income greater than £500,000 (UK) or €500,00 (Republic of Ireland) – must analyse their expenditure on activity basis and this is disclosed in the notes to the accounts.

Smaller charities may choose to deviate from the standard Statement of Financial Affairs and analyse their expenditure according to the nature of the expenditure, subject to certain provisions.

Unfortunately, the SORP completely overlooks management information. The Statement of Financial Affairs is simply not suitable to manage the charitable operations. The allocation of Other Expenditure (a.k.a. Governance and Support costs) to Fundraising and Charitable Activities is extremely unhelpful and does not align with normal organisational responsibilities. A conventional business EBITDA P&L format is much more effective. Larger charities often need to track departmental performance.



Paul Foden, Founder & CEO of Aedon.Accounting

Again this much easier with an EBITDA P&L before Governance and Support Costs are allocated.

Combining all these requirements into a one-dimensional Chart of Accounts (COA) is virtually impossible: the COA can become very large because all the codes must be multiplied up for each fund, each activity or project, and for departmental analysis.

Smaller charities may manage with just a second dimension to track funds, but larger charities need a third to track activities and a fourth for departments. The answer is a SORP compliant, multi-dimensional financial system.

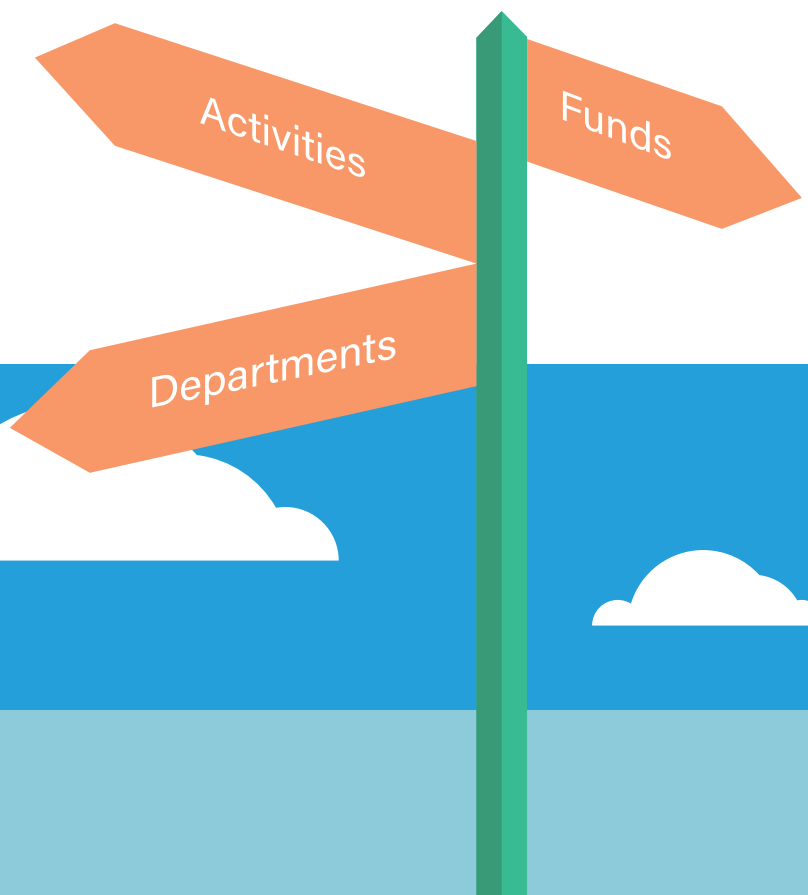
Aedon.Charities cannot not only create the key SORP reports (Statement of Financial Affairs (SoFA), Balance Sheet and Cash Flow Statement reports and notes), but it can also track each fund, each activity and each department using a dimension object for each.

The advantages of a dimension object versus a simple dimension tag are numerous. It offers the ability to add custom fields to the object, links it to other objects and report on it with separate reports and dashboards.

There are other accounting systems that support multi-dimensional accounting, and a handful that support the SORP, but none which have the management information capabilities of the dimension objects that Aedon.Charities does.

This paper will be incorporated into a book that I plan to publish at the end of the year. To find out more about Aedon.Charities or to register for a free digital copy of the book, please visit <https://aedon.co/register-interest/> or email me at paul@aedon.co.

If you feel that I have misunderstood something, your feedback would be most welcome. Thanks for reading and I hope that this paper makes complying with the SORP easier for you and your organisation.



2. Introduction

This paper is intended to help treasurers, finance managers, directors, and accountants in practice managing a charity who have an interest in complying with the SORP.

I do not presume that you have read the SORP in detail, but truthfully it would be useful to familiarise yourself with the key sections, which are identified later in this paper.

The three key reports are included in the Appendices:

- Statement of Financial Activity
- Balance Sheet
- Cash Flow Statement

Also in the Appendix is an example of how an illustrative charity scenario should be recorded using Multi-Dimensional Accounting and of course the pro forma Chart of Accounts itself. Do not be daunted by its length, you can delete those accounts which do not apply to your charity.

In the interests of readability, I have decided not to explain line-by-line what each nominal code should include, nor have I included detailed cross-references to the SORP. This is not an academic paper.

At the end of the paper, I include a list of useful references for further reading. HMRC have been particularly helpful, I think because they recognise the difficulty in complying.

CHARITIES SORP (FRS 102)

(second edition - October 2019)

Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland

(FRS 102)

(effective 1 January 2019)



CHARITY COMMISSION
FOR ENGLAND AND WALES



Secretariat to the Charities SORP

3. The Charity SORP

3.1 Overview

The Charity SORP is a set of accounting guidelines and recommendations specifically designed for charities in the UK and Republic of Ireland. It is mandatory for all charities.

The SORP aims to ensure that charities prepare consistently presented financial statements that are transparent, understandable, and compliant with relevant accounting standards.

At the heart of the SORP is the desire to explain three things:

- What are the charity's objectives?
- How does it achieve them (Activities)?
- How does it pay for them (Funds)?

3.2 Problems with the SORP

The objectives of the SORP are highly laudable, but unfortunately it fails to achieve them for several reasons.

- The SORP itself and the proscribed reports, especially the Statement of

Financial Affairs, are too complicated to understand for most lay people who act as Trustees.

- The SORP financial statements are difficult to produce with the entry-level financial packages used by volunteer accounting staff.
- The SORP does not consider the operational importance of management reporting.
- The allocation of Governance and Support costs hides so much information and the allocation of these costs is highly arbitrary; I have seen charities chose a 50/50 split for nothing more than convenience.
- Lastly, the SORP is poorly organised. Explanations are difficult to follow. Certain words, most notably activities, are used ambiguously and there are big holes: the lack of a model Chart of Accounts being one of the biggest.

But these criticisms do not matter. The SORP is still the law and must be complied with.



4. Chart of Accounts

4.1 The Importance of the Chart of Accounts

The Chart of Accounts classification of income and expenditure is the first and most important decision when recording a financial transaction. The addition of the Fund, Activity and option Department dimensions follow.

If you are going to adopt a 3-dimensional structure, it is best practice to always complete all the three dimension tags to every financial event. It ensures completeness.

There is no doubt that junior staff will find this additional data entry cumbersome and initially time consuming. But it will save hours and hours of very expensive professional fee time at the end of the year.

Speaking to several accountants in practice, they dread creating their charities' end of year accounts. They effectively have to rework virtually every transaction to fit them into the SORP straight jacket. It is boring and tedious work, but requires a very good understanding of the SORP, so is difficult to delegate to less experienced junior staff and thus becomes even more expensive.

4.2 The Impact of the SORP on the Chart of Accounts

The SORP is so prescriptive that it naturally drives the structure of the Chart of Accounts. However, Aedon.Charities also has Reporting Classes which allow the same information to be presented in a more flexible format for management information purposes. Management information is not covered by this paper.

The Chart of Accounts uses the SORP Note references as SORP Classes for ease of use. So, the Nominal Codes map directly onto each SORP Class.

The Nominal Codes for the Statement of Financial Affairs (the Income & Expenditure Report) are presented first. These are followed by the Balance Sheet.

The Balance Sheet nominal code numbers are greatly increased because of the need to create the Cash Flow Statement and to allow for transfers between Funds. The worst example being Fixed Assets, which require ten different codes to ensure that the Cash Flow Statement can be achieved directly from the trial balance.



4.3 Structure of the Chart of Accounts

Chart of Accounts Grouping	SORP Classes	Nominal Code Ranges
Income	A1-A5	1000- 1999
Fundraising Expenditure	B1	2000- 2999
Charitable Activities Expenditure	B2	3000- 3999
Other Expenditure	B3	4000- 4999
Misc Income, Expenditure & Transfers	B4-D3	5000- 5999
Fixed Assets	A1-A4	6000- 6999
Current Assets	B1-B4	7000- 7999
Current & Long Term Liabilities	C1-C3	8000- 8999
Funds & Reserves	D1-D5	9000- 9899
Suspense Accounts	C1	9900- 9999

The Nominal Codes follow the SORP Classes exactly. The chart uses a 4-character number for the Nominal Code starting at 1000. There are arguments for a 6-character format and also to use an alphanumeric format, but because we have the 10 Reporting Dimensions that shouldn't be unnecessary.

The 4-character format is easier to remember and faster to key than the other two options and still provides nearly 10,000 nominal options. A Chart of Accounts much greater than 300 codes is generally unnecessary.

4.4 Reporting Classes

The Chart of Accounts included Reporting Classes which are different from the SORP Classes. This is an Aedon.Charities feature which allows the detailed Nominal Codes to be summarised in a more conventional manner for management reporting purposes. Operationally this is probably much more useful, especially when combined with the Department Dimension tag and departmental budgets.

4.5 Conventional Management Reports

Aedon.Charities includes the conventional Profit & Loss and Balance Sheet using either Nominal Codes or Reporting Classes. These can be compared against budgets. Aedon.Charities allows for multiple budget types such as the 5-Year Plan, Financial Plan, Sales Targets, Project or Activity Budgets. These are extremely useful because it removes the need for many Excel spreadsheets and allows very granular management control, which we refer to as “Bottom-Up” reporting as opposed to the conventional “Top-Down” Profit & Loss type reports.



4.6 Changing the Chart of Accounts to suit your Charity

It is always easiest to design your Chart of Accounts (COA) in Excel. The SORP compliant version COA that accompanies this paper is available as an Excel Spreadsheet on the Aedon website at <https://aedon.co/charity-accounting-software/charity-sorp/profit-loss/>

A good Chart of Accounts reads like a book to an experienced eye. Try and group income and expenses into natural groupings.

a) Changing the Chart of Accounts

Follow these steps:

1. Delete all those Nominal Codes which will never be used in your charity (highlight in red)
2. Deactivate those codes which you might use, but don't need know (orange)
3. Adjust the names of the remaining accounts to those which are more familiar (blue)
4. Create new Nominal Codes for income or expense specific to you (green)
5. Adjust the numbering, but maintaining the overall structure; leave plenty of space between the codes so that new ones can be inserted later without disrupting the sequence
6. Check the SORP classifications
7. Add the Reporting Classes for Management Information
8. Map your existing COA to the new one to double check and record the mapping in Aedon.Charities or similar in other accounting systems.

b) Dimension Tagging

You will be adding Funds, Activity and Department dimension tags, so don't double-up this information in the COA

unnecessarily. However you may choose to do so selectively as a belt-and-braces approach.

c) Further Considerations for Aedon.Charity users

Each financial transaction in Aedon.Charities creates Ledger entries and these are used as the basis for all the financial reports. These contain more information than the postings in many other financial software packages this ensures that the following information is always available for each nominal code:

- Analysis by Customer or Supplier
- Analysis by Products
- Analysis by the Dimension plus any of the additional fields on the Dimension Object.

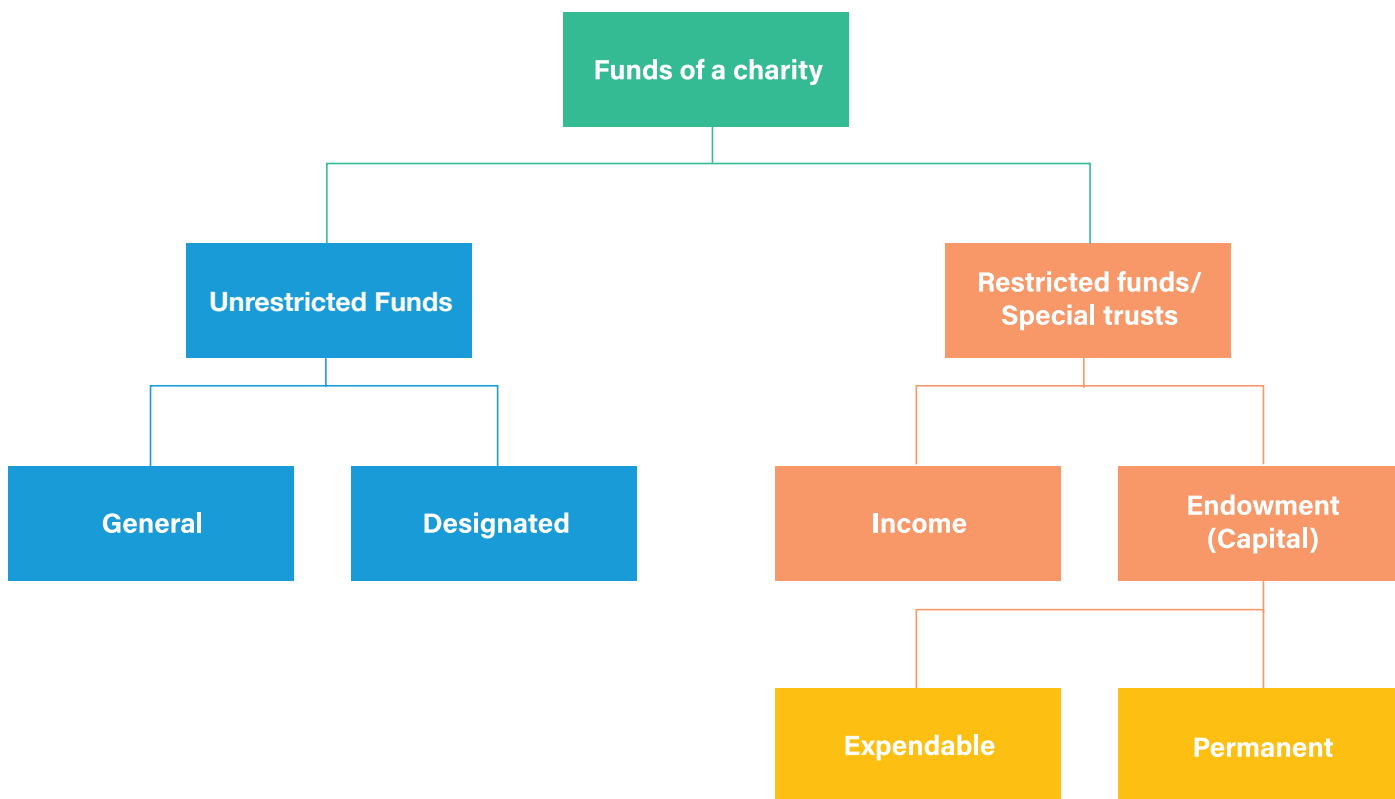
As well as using Products for items that you sell, they can be used for Wages as job grades for example, or overheads to speed-up data entry by defaulting products onto suppliers with a default nominal and VAT codes.

A Dimension such as the Activity Dimension can have 500 additional fields added to it, which can include links to other objects. For example, each Charitable Project should be associated with one of the Charitable Activities named in the Trustees' Report.

You might then add the Project Manager, the Project Start and End Dates, whether it is still active, the type of work undertaken, the location, etc.

5. Fund Accounting

Fund Accounting is fundamental to the way the SORP financial statements are prepared, and it recognises the fact that donors give money in different ways with or without restriction, as illustrated in Table 1 of the SORP.



5.1 Unrestricted Funds

There are two types of Unrestricted Funds:

- **General**, which can be spent on anything
- **Designated**, which have been allocated from the General Fund by the Trustees to specific purpose.

5.2 Restricted Funds

Restricted Funds fall into three types:

- **Unrestricted Income**, which can be spent straightaway (note that under the Charities Act 2022 this must be further split into Donor Imposed and By Appeal).

- **Permanent Endowment**, which generates an income, while the capital is preserved
- **Expendable Endowment**, which generates an income, while the capital can also be spent.

Within each of these categories of fund there can many individual funds according to the donors wishes. Income and expenditure must be recorded against the individual funds, not just the broad categories.

6. Activities

6.1 Activity Definition

Activities are what a charity does with its funds in order to achieve its charitable objectives. The activities are defined in broad terms in the Trustees' Report.

Operationally, most charities use projects to define discrete pieces of work, and these must align with the Activity categories used in the Trustees' Report. Again, there are likely many projects that a charity undertakes, and these will change from year to year.

The SORP defines three broad categories of expenditure in SORP:

- Fundraising
- Charitable
- Other

Funds spent on projects will fall into the Charitable Expenditure category in the Nominal Codes.

6.2 Activity Dimension

We encourage charities to tag all financial transactions with an Activity: income, expenditure and balance sheet. Applying the tag to everything helps ensure data integrity and ensures that the charity staff must engage with the SORP. A bit of tough love, if you like.

There are three types of activities for the purposes of tagging:

- Fundraising Campaigns or Fundraising Cost Centres
- Charitable Projects or Charitable Costs
- Governance and Support Cost Centres

All the different types of A1 to A5 Income and Endowments can be assigned to Fundraising Campaigns.

Campaign is a reserved term widely-used by Salesforce to define any kind of marketing initiative and allows charities to track the source of their income.

B1 Expenditure on Raising Funds can be allocated to Fundraising Campaigns or a Fundraising cost centre such as marketing, call centre, etc.

B2 Expenditure on Charitable Activities will use charitable projects plus any dedicated Charitable Activity centre

B3 Other Expenditure will use cost centre with Governance and Support being the minimum, but these can be further broken down into Finance, HR, IT, etc.

All the other SoFA classifications B4 to D3 will use the Governance and Support cost centres.

Most of the balance sheet is likely to fall under Support and Governance, but there is no reason why certain assets and liabilities should not be allocated directly to a Fundraising Campaign or cost centre or similarly to Charitable one.



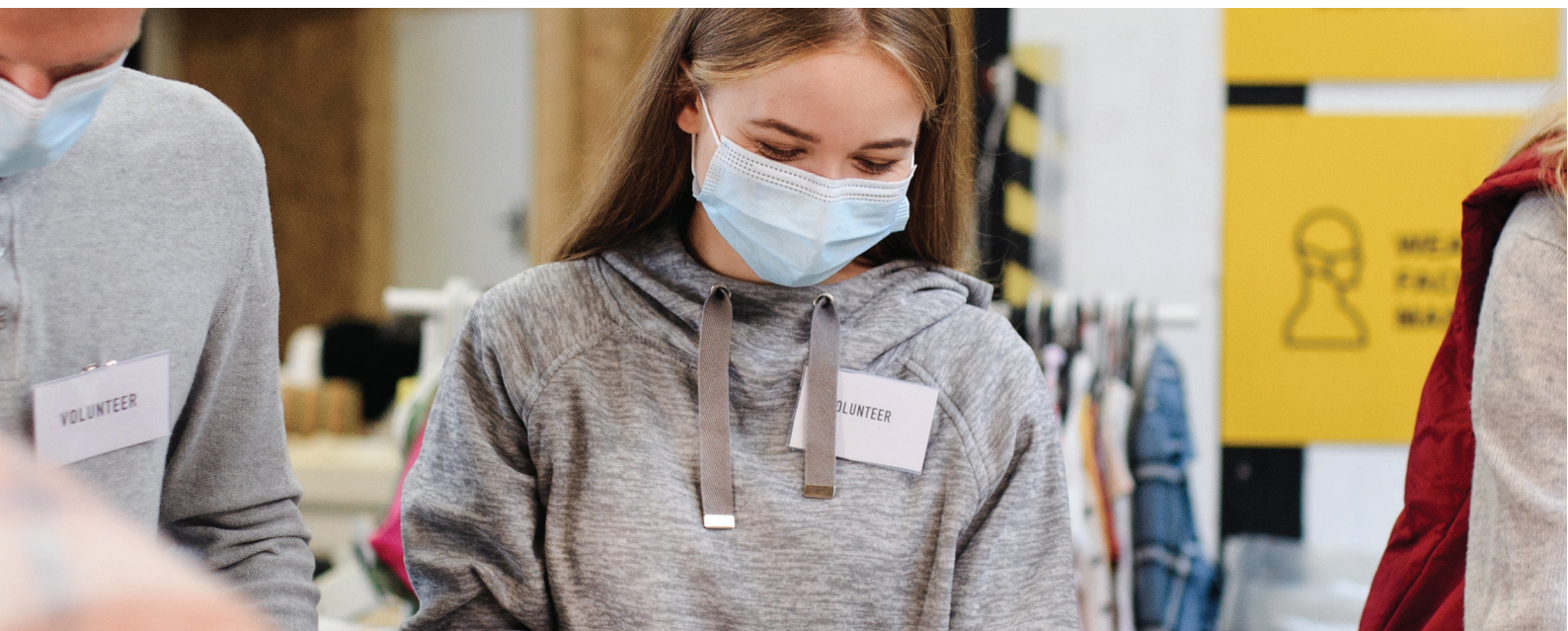
7. Departments

We decided at Aedon.Accounting to reserve the third dimension for departments because it is so widely used. In fact Table 4: Analysis of Support costs tacitly implies that charities will use it.

Support cost (examples)	Raising funds	Activity 1	Activity 2	Activity 3	Grand Total	Basis of allocation
	£	£	£	£		
Governance	x	x	x	x	x	"Text describing method"
Finance	x	x	x	x	x	"Text describing method"
Information Technology	x	x	x	x	x	"Text describing method"
Human Resources	x	x	x	x	x	"Text describing method"
Function/ Activity Total	x	x	x	x	x	

Departments are organisation specific and are defined within Aedon.Charities as a user-defined picklist. Within a department there can of course be specific projects such as an IT project for new software or a Maintenance Department project for a building refurbishment and these would fall under the Activities dimension.

In order to ensure that all expenditure is always tagged in all the dimensions it is useful to have activities such as HR Staff Costs, HR Overheads and HR IT Spend as well as specific HR specific projects.



8. Governance & Support Costs

8.1 Definition of Governance & Support Costs

Every Charity has Governance and Support Costs which do not fall directly into Fundraising or Charitable Activities. This is the definition of the B3 Expenditure on Other.

More intuitively the Governance & Support Costs are the central admin functions of a charity. Not everyone or every cost is directly associated with fundraising or a charitable activity. These are the costs that fall into the B3 Other Expenditure SORP Class.

The Charity Commission defines Governance Costs as, “those incurred in connection with the administration of the charity and its compliance with constitutional and statutory requirements. Support costs are those incurred in supporting the charity’s activities directly or indirectly.”

The primary difference lies in the purpose of the expenditure. Governance costs are incurred to ensure the charity is well-run and accountable, while support costs are incurred to enable the charity to deliver its charitable activities.

Governance costs typically include:

- Trustee expenses
- Audit fees
- Legal and professional fees related to compliance
- Strategic planning costs

Support costs might include:

- Salaries and wages of staff not directly involved in governance
- Office rent and utilities
- IT and communication costs
- Fundraising expenses
- Depreciation of assets used in operations

8.2 Allocation of Governance & Support Costs

The Governance and Support costs are recorded in the Nominal Ledger against Governance and Support Activities in the first instance and then are allocated out at the year end. The method of allocation is very flexible but must be disclosed in the accounting notes.

Confusingly, the allocation of Governance and Support Costs in the SORP implies a two-step process.

1. Allocate the Support Costs to the Fundraising and Charitable Activities plus Governance
2. Allocate the Governance Costs to the Fundraising and Charitable Activities.

Why the Governance and Support costs could not have been allocated directly is a mystery to me! The two-step process implies a spurious accuracy and makes the allocation of these costs even more arbitrary and subject to individual interpretation by each charity.

Within the Chart of Accounts we have Nominal Codes to allocate the costs out, and others to receive their share of them, so that they can be clearly seen. These have been placed at the end of the nominal code ranges as you can see below.

Nominal Code		SORP Class
2998	Fundraising Share of Governance Costs	B1 Expenditure on Raising Funds
2999	Fundraising Share of Support Costs	B1 Expenditure on Raising Funds
3998	Charitable Activities Share of Governance Costs	B2 Expenditure on Charitable Activities
3999	Charitable Activities Share of Support Costs	B2 Expenditure on Charitable Activities
4198	Governance Costs Share of Support Costs	B3 Other Expenditure
4199	Allocation of Governance Costs	B3 Other Expenditure
4999	Allocation of Support Costs	B3 Other Expenditure



9. The Key SORP Reports

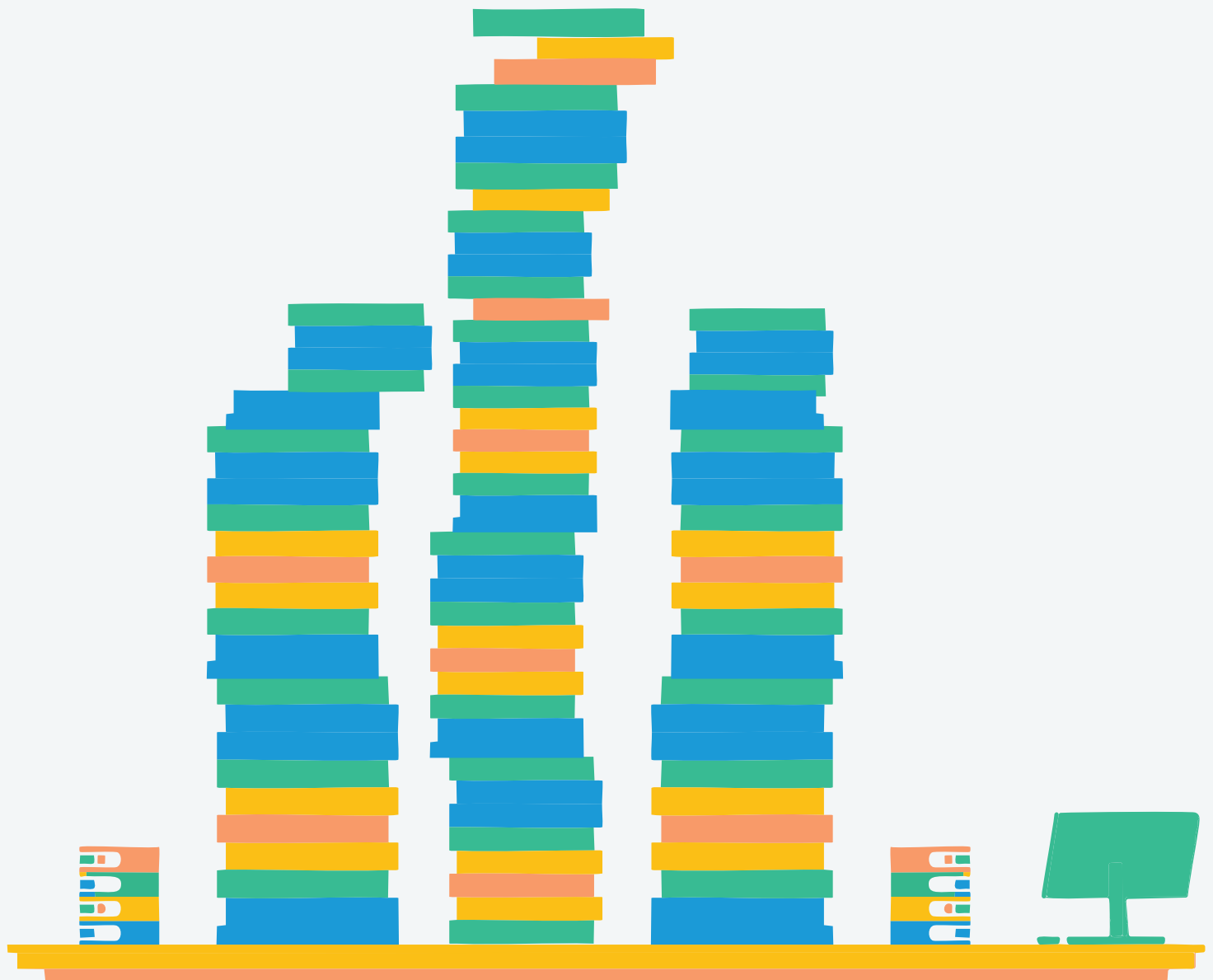
There are 3 key reports in the SORP, and their format is very tightly defined.

Statement of Financial Activities (SOFA): The SOFA is the primary financial statement for charities. It provides an analysis of income and expenditure, showing how funds have been generated and utilised during the reporting period.

Balance Sheet: The balance sheet presents a snapshot of a charity's financial position at the end of the reporting period, showing its assets, liabilities, and funds.

Cash Flow Statement: The cash flow statement tracks the movement of cash and cash equivalents during the reporting period, providing insights into a charity's liquidity and ability to meet its financial obligations.

In addition to these reports there are many disclosure notes which are mandated to provide additional explanations to support the information presented in the primary financial statements.



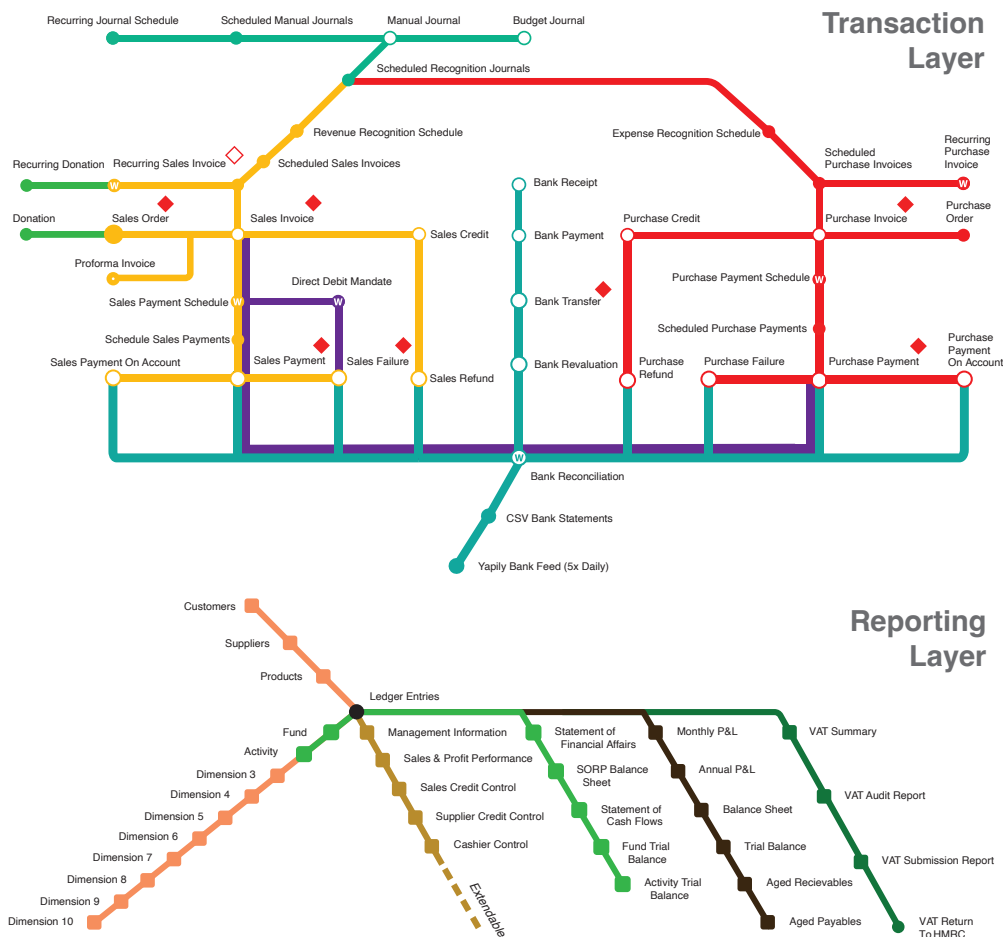
10. Aedon.Charities

10.1 Overview

Aedon.Charities is a financial package built on Salesforce. It offers an extremely comprehensive range of features the most important of which are highlighted below. Moreover it is tailored specifically to the charity sector with the following features:

- Charities Chart of Accounts
- Fund Accounting with Dimensions for Funds, Activities and Departments
- SORP Reports: Statement of Financial Activities, Balance Sheet and Statement of Cash Flows
- Fund, Activity and Departments Trial Balance Sheets
- Integration with Salesforce Nonprofit Cloud and the older Nonprofit Success Pack (NPSP)

The Functional Map below gives an overview of all the features.



- Smarterpay**
Direct Debit, Sales & Purchase Payments
- ProvenWorks**
Address Verification
- Ascent Solutions**
Stock Management
- d.velop**
Digital Invoice Processing
- PISA**
Payable Invoice Scanning

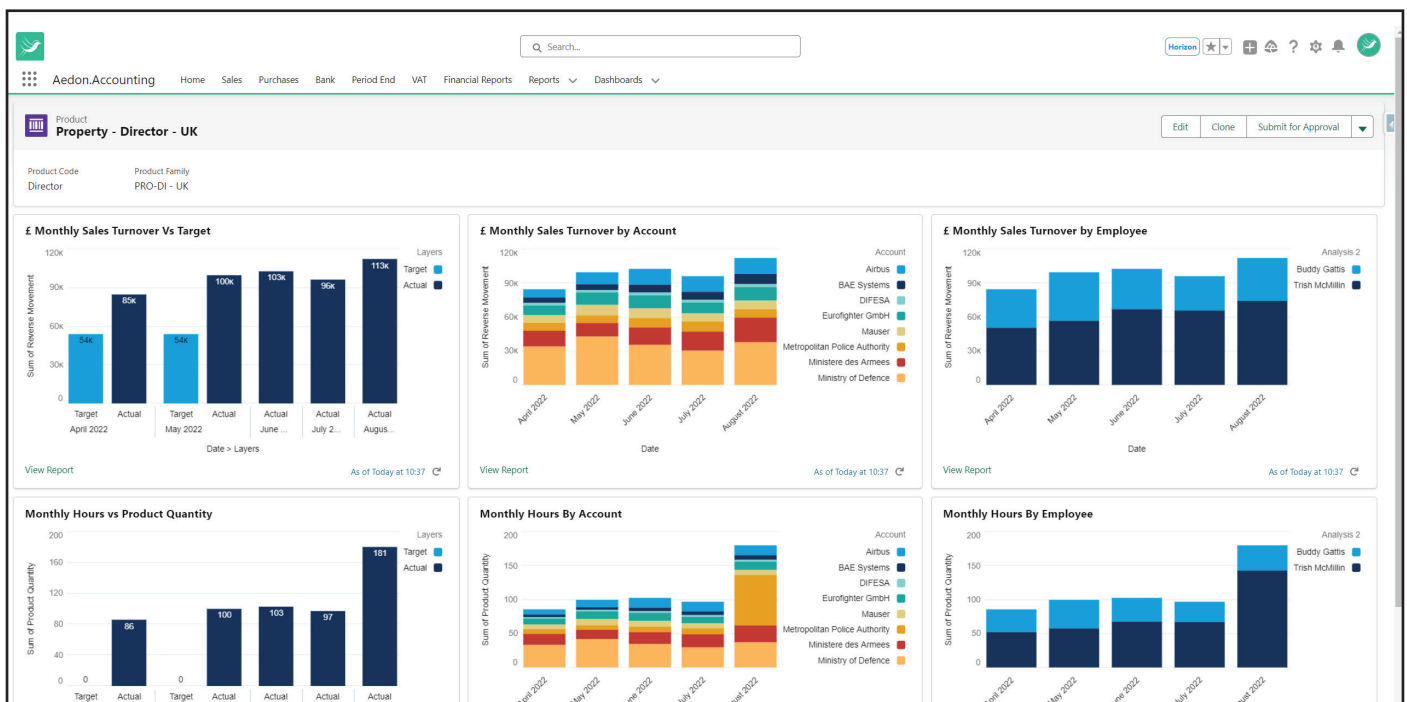
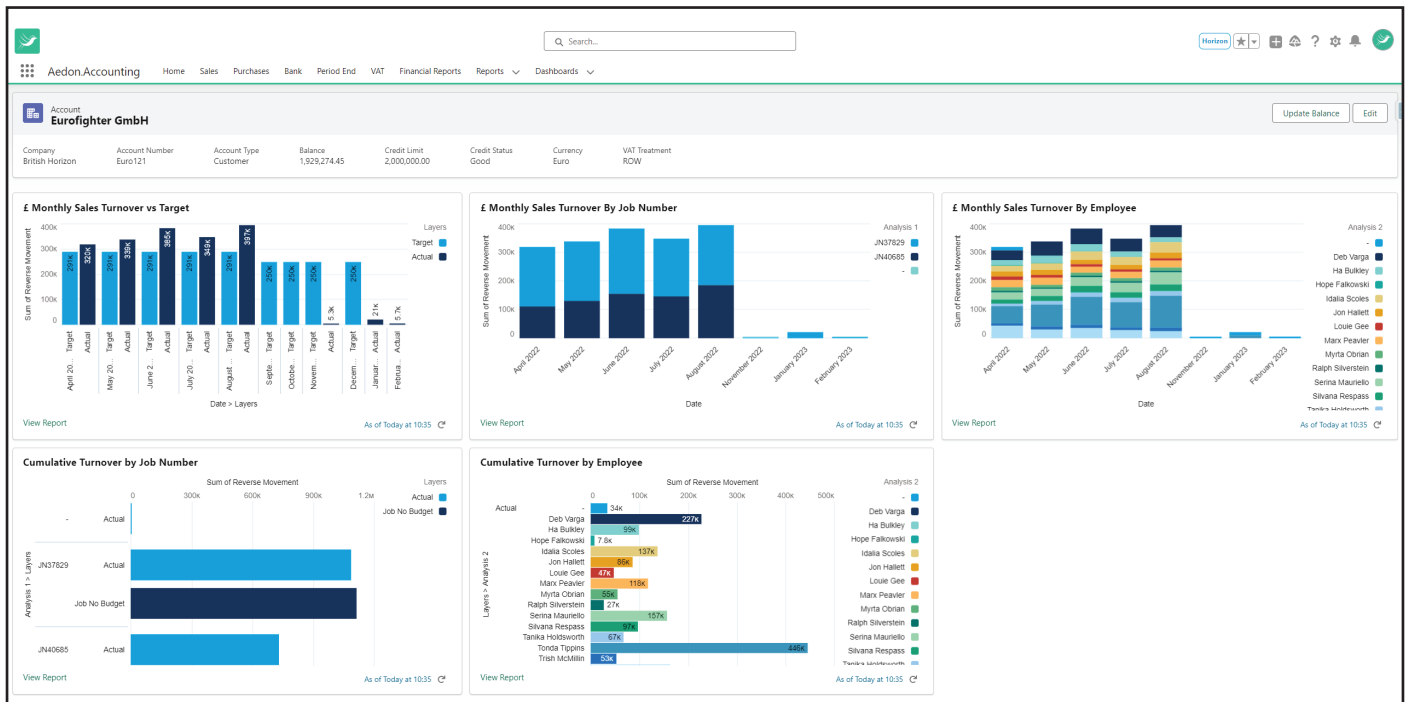
- Posting Transaction** ○
- Non-Posting Transaction** ●
- Reports & Dashboards** ■
- Transaction Wizard** W
- API (Application Programming Interface)** ◆
- Salesforce Flow** ◇

- Journals** →
- Salesforce** →
- Sales** →
- Purchases** →
- Bank** →
- Aedon.Charities** →
- Bottom-Up Reports & Dashboards** →
- Top-Down Reports & Dashboards** →
- Financial Reports** →
- VAT** →

10.2 Top-Down and Bottom-Up Reporting

Aedon.Charities uses the term “Top-Down” reporting to refer to the conventional financial reports Statement of Financial Affairs, Balance Sheet and Cash Flow Statement for charities and Profit and Loss for businesses. These look down on the organisation as a whole and monitor overall performance.

“Bottom-Up” reports are much more granular and allow each Donor, Supplier and Product to be tracked individually. More pertinently in a charity you can track each Fund, Activity or Department with reports and dash,boards using different budget types if you wish. This offers a fantastic level of control to operational management.



10.3 Dimension Objects

We have defined three of the Dimension Objects as Fund, Activity and Department. Obviously, each of these will have a unique name, but that is just the start of the story.

Firstly, you can add up to 500 additional fields to each of them. So, for example, against a fund you can record the fund type, the donors, the date it started and was closed and the current balance.

Secondly, the management information analysis is limited only by your imagination. The income can be analysed by the campaign source, expenditure can be analysed by nominal code classification and activity type not only with reports, but also with much more intuitive dashboards.

10.4 Configurability

The Salesforce platform allows Aedon Charities to be configured to suit the needs of individual charities. Just a few examples are:

- The creation of custom fields and objects
- Approval of financial transactions according to your own rules
- Flows to automate complex processes.

There are literally thousands of additional Salesforce Applications on the AppExchange <https://appexchange.salesforce.com/> which can be used further extend the functionality.

10.5 Free Salesforce Licences

Salesforce very generously runs a Power of Us Program to assist charities around the world.

The Power of Us Program includes:

- 10 donated Enterprise Edition licenses and deep discounts on additional licenses, products, and/or services
- Discounts on Salesforce training
- Discounts on Salesforce events
- Access to Nonprofit and Higher Ed specific user groups, events, and webinars
- Discounts on participating Apps and Consulting Partners from the AppExchange

For further information please contact Salesforce directly. Information is correct as of September 2024.



SORP Trial Balance							
Trial Balance Report							
Nominal	Endowment Fund - Expendable	Endowment Fund - Permanent	Restricted Fund - Income1	Restricted Fund - Income2	Unrestricted Fund	Unrestricted Fund - Designated	Total
1000 Financial Donations & Gifts	0.00	0.00	(500,001.00)	(500,002.00)	(162,999.00)	0.00	(1,163,002.00)
1200 Sale of Goods & Services	0.00	0.00	0.00	0.00	(87,000.00)	0.00	(87,000.00)
1500 Trading Income A	0.00	0.00	0.00	0.00	(14,569.00)	0.00	(14,569.00)
1700 Income from Endowments	(3,664.00)	(9,825.00)	0.00	0.00	0.00	0.00	(13,489.00)
2000 Fundraising Salaries & Wages	0.00	0.00	0.00	0.00	106,000.00	0.00	106,000.00
3000 Charitable Activity Salaries & Wages	0.00	0.00	45,700.00	0.00	0.00	0.00	45,700.00
3300 Project Costs Type A	0.00	0.00	294,888.00	71,163.00	0.00	0.00	366,051.00
3890 Project Admin Costs	0.00	0.00	10,000.00	20,003.00	0.00	0.00	30,003.00
4110 Audit Fees	0.00	0.00	0.00	0.00	6,200.00	0.00	6,200.00
4200 Support Salaries & Wages	0.00	0.00	0.00	0.00	227,905.00	0.00	227,905.00
4810 Leasehold Land & Buildings Depreciation Charge	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4990 Project Admin Costs Recharge	0.00	0.00	0.00	0.00	(30,003.00)	0.00	(30,003.00)
5100 Extraordinary Items	0.00	0.00	0.00	0.00	125,778.00	0.00	125,778.00
5200 Transfers Between Funds	0.00	0.00	0.00	0.00	50,000.00	(50,000.00)	0.00
6005 Intangible Assets Additions	0.00	0.00	0.00	0.00	38,000.00	0.00	38,000.00
6155 Leasehold Land & Buildings Additions	0.00	0.00	0.00	0.00	130,000.00	0.00	130,000.00
6165 Leasehold Land & Buildings Revaluations	0.00	0.00	0.00	0.00	55,000.00	0.00	55,000.00

11. Appendices

11.1 Statement of Financial Activities

	Unrestricted funds	Restricted funds	Endowment funds	Total funds	Prior period Total funds	Further details
	£	£	£	£	£	£
Income and endowments from:						
Donations and legacies						A1
Charitable activities						A2
Other trading activities						A3
Investments						A4
Other						A5
Total						
Expenditure on:						
Raising funds						B1
Charitable activities						B2
Other						B3
Total						
Net gains/(losses) on investments						B4
Net income/(expenditure)						
Transfers between funds						C
Other recognised gains/(losses):						
Gains/(losses) on revaluation of fixed assets						D1
Actuarial gains/(losses) on defined benefit pension schemes						D2
Other gains/(losses)						D3
Net movement in funds						
Reconciliation of funds:						E
Total funds brought forward						
Total funds carried forward						

11.2 Balance Sheet

Note ref.	Total funds	Prior year funds	Further details
	£	£	
Fixed assets:			A
Intangible assets			A1
Tangible assets			A2
Heritage assets			A3
Investments			A4
Total fixed assets			
Current assets:			B
Stocks			B1
Debtors			B2
Investments			B3
Cash at bank and in hand			B4
Total current assets			
Liabilities:			C
Creditors: Amounts falling due within one year			C1
Net current assets or liabilities			
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year			C2
Provisions for liabilities			C3
Net asset or liabilities excluding pension asset or liability			
Defined benefit pension scheme asset or liability			C4
Total net assets or liabilities			
The funds of the charity:			D
Endowment funds			D1
Restricted income funds			D2
Unrestricted funds			D3
Revaluation reserve			D4
Pension reserve			D5
Total unrestricted funds			
Total charity funds			

11.3 Statement of Cash Flows

	Total funds	Prior year funds	Note
	£	£	
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	X	(X)	(Table 9)
Cash flows from investing activities:			
Dividends	interest and rents from investments	X	X
Proceeds from the sale of property	plant and equipment	X	X
Purchase of property	plant and equipment	(X)	(X)
Proceeds from sale of investments	X	-	
Purchase of investments	-	(X)	
Net cash provided by (used in) investing activities	X	X	
Cash flows from financing activities:			
Repayments of borrowing	(X)	(X)	
Cash inflows from new borrowing	X	-	
Receipt of endowment	X	X	
Net cash provided by (used in) financing activities	X	X	
Change in cash and cash equivalents in the reporting period			
	X	X	
Cash and cash equivalents at the beginning of the reporting period	X	X	(Table 10)
Change in cash and cash equivalents due to exchange rate movements	X	(X)	
Cash and cash equivalents at the end of the reporting period	X	X	(Table 10)

11.4 An Example of 4-Dimensional Accounting

The marketing department of the charity holds a charity dinner to raise funds for emergency relief appeal for a flood crisis in Bangladesh. This is part of a broader Bangladesh Appeal Campaign. Donors generously contribute £100,000. These funds will be deemed to be Restricted – By Appeal.

The funds are spent on two projects: Phase 1 provides £15,000 on the hire of helicopters to rescue displaced residents; Phase 2 brings £35,000 for food relief and £50,000 for the supply of tents and blankets. Both these projects are organised by the Programme Management department and would fall under the same Activity: Emergency Relief.

The income would be recorded as below. Using this technique the money spend can be analysed by any of the 3 dimensions: nominal code, fund or activity or project.

	Description	Nominal Code	Fund (Dimension 1)	Activity (Dimension 2)	Department (Dimension 3)	Debit	Credit
Dr	Charity Dinner	Bank Account	Bangladesh Emergency Relief Appeal	-	Marketing	£100,000	
Cr	Charity Dinner	Fundraising Events	Bangladesh Emergency Relief Appeal	-	Marketing		£100,000
Dr	Helicopter Hire	Equipment Hire	Bangladesh Emergency Relief Appeal	Bangladesh Phase 1 Project	Programme Management	£15,000	
Cr	Helicopter Hire	Bank Account	Bangladesh Emergency Relief Appeal	Bangladesh Phase 1 Project	Programme Management		£15,000
Dr	Emergency Food Packs	Food	Bangladesh Emergency Relief Appeal	Bangladesh Phase 1 Project	Programme Management	£35,000	
Cr	Emergency Food Packs	Bank Account	Bangladesh Emergency Relief Appeal	Bangladesh Phase 1 Project	Programme Management		£35,000
Dr	Tents & Blankets	Non-Food Items	Bangladesh Emergency Relief Appeal	Bangladesh Phase 2 Project	Programme Management	£50,000	
Cr	Tents & Blankets	Bank Account	Bangladesh Emergency Relief Appeal	Bangladesh Phase 2 Project	Programme Management		£50,000

11.5 Useful References

[Charity SORP Microsite](#)

The official microsite for the Charity Statement of Recommended Practice (SORP) offers guidance on financial reporting for charities in the UK and Ireland.

[Charity Commission Examples](#)

The Rosanna Grant Trust & Arts Theatre Trust illustrate a grant-making charity and one limited by guarantee with a subsidiary

[HMRC Example Trustees' Annual Reports and Accounts for Charities](#)

Sample accounts albeit for the 2005 version of the SORP

[Guidance for the Independent Examination of Charity Accounts](#)

Guidance notes and a useful checklist in both English and Welsh.

[Accruals accounts pack \(CC17\) - SORP FRS 102](#)

Accounting template (MS Excel) for completing a charity's accruals accounts by charitable activity for accounting periods beginning on or after 1 January 2015.

[Charity Commission for England and Wales](#)

The official page of the Charity Commission for England and Wales offers guidance, services, and regulatory information for charities operating in the UK.

[Charity Commission for Northern Ireland](#)

The official website of the Charity Commission for Northern Ireland provides regulatory guidance, compliance information, and support for charities in Northern Ireland.

[Fundraising Regulator](#)

The official website of the Fundraising Regulator, the independent regulator for charitable fundraising in England, Wales, and Northern Ireland, guides best practices and compliance.

[Scottish Charity Regulator \(OSCR\)](#)

The official website of the Scottish Charity Regulator (OSCR) provides regulatory guidance, registration information, and support for charities in Scotland.

[Scottish Fundraising Standards Panel](#)

A website promoting ethical and effective fundraising practices in Scotland, offering resources, guidance, and support for fundraisers and charities.

11.6 Income & Expense Nominal Codes

<https://aedon.co/charity-accounting-software/charity-sorp/profit-loss/>

11.7 Balance Sheet Nominal Codes

<https://aedon.co/charity-accounting-software/charity-sorp/balance-sheet/>

12. Conclusion

In conclusion, this whitepaper highlights the complexities and challenges associated with implementing a multi-dimensional Chart of Accounts for charities under the Charity SORP framework. By addressing the shortcomings of the SORP's prescriptive requirements, particularly regarding management reporting and fund allocation, it becomes evident that a tailored financial system—like Aedon.Charities—offers a robust solution.

As the SORP continues to evolve, the flexibility and configurability provided by Aedon.Charities will remain an essential asset for charities seeking to manage their finances efficiently and meet regulatory obligations with ease.

Like what you have read?

You can always contact us to pick our brains. We have a wealth of resources on our website, or call or email to arrange a consultation, and see how Aedon.Accounting can help you in your role as charity treasurer or finance director.



aedon.co



[\(+44\)161 262 3355](tel:+441612623355)



sales@aedon.co

Aedon.Accounting
Suite 48
792 Wilmslow Road,
Manchester,
M20 6UG,
United Kingdom

