What are heritage assets?

The UK Financial Reporting Standard FRS 30 ‘Heritage Assets’ defines a heritage asset as:

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

This standard applies in the UK and Ireland to all heritage assets that are held.

This standard applies to heritage assets whether they are reported on or off the balance sheet. Where information is available on cost or valuation, the assets should be disclosed on the balance sheet as tangible non-current assets.

Disclosure applies to all entities with heritage assets. The reason for full disclosure, whether on or off the balance sheet, is to provide information about an entity’s total holding of heritage assets and the entity’s stewardship of those assets.
The amount of recognition in the balance sheet must be disclosed together with the accounting policies adopted.

Disclosures should provide the reader with an understanding of the asset values being reported and the policies for managing the total holding of heritage assets.

Accounting for the recognition and measurement should follow the basis of tangible non-current assets.

To encourage a valuation approach, internal valuation is allowed without the need for a full valuation every 5 years. The nature and scale of the heritage assets held by the entity should be disclosed in the financial statements.

The entity’s policy for the acquisition, preservation, management and disposal of heritage assets must be disclosed. This should include a description of the records maintained of the collection of heritage assets and information on the extent to which access to the assets is permitted. This information can be either in the financial statements or cross referenced to them.

The accounting policies should be stated including the details of the measurement bases adopted.

Where heritage assets are not reported in the balance sheet, the reasons for not reporting should be explained and the notes to the accounts should explain the significance and nature of those heritage assets.

Disclosures on non-reported heritage assets should aim to ensure that, when read in the context of the information about those capitalised heritage assets, the overall financial statements should provide useful and relevant information about the entity’s entire holding of heritage assets.
The opening and closing carrying amounts must be disclosed together with an analysis of those heritage assets at cost and those at valuation.

Where valued sufficient information must be disclosed to assist in understanding the valuations and their significance eg: The date of valuation, 
Methods used to produce the valuation, 
If external, valuer’s name and professional qualification 
Any significant limitations on the valuation. (eg provenance not captured by valuation)

Any information that might assist in assessing the value of off balance sheet heritage assets.

Separate transactions summaries, for on and off balance sheet items, showing for this and the previous four years: Cost of acquisitions, Value of donated acquisitions, Carrying amounts and disposal proceeds of heritage assets disposed of, Any impairments

Where valuation not possible for donations, reasons for non valuation must be stated. Nature and extent of significant donations also to be disclosed.

Heritage assets should appear as tangible non-current assets in their own category, with separate classes, designated at cost & at valuation shown separately.

Where cost or valuation information is not available at a suitable cost/benefit the assets should not be recognised in the balance sheet but full disclosure in the notes should be made.

Valuations can be by any method that is deemed to be appropriate and relevant.

Where heritage assets have indefinite lives there is no need for depreciation, however should there be evidence of impairment, such impairments should be recognised.

The receipt of donations should appear in the income statement at valuation. Where, exceptionally, a valuation isn’t possible, disclosure should be made.
Why have heritage asset reform?

Disclosures in museums' and galleries' balance sheets bear little or no relationship to the total value of the entity's collection of heritage assets, with pre 2001 being off balance sheet and post 2001 on balance sheet.

Quality of disclosures varies from one entity to another with usefulness of information impaired.

It is recognised that accounting for heritage assets can be difficult and challenging, but there is a need for enhanced disclosure whether the heritage assets are on or off the balance sheet. There is a need to make it clear the extent to which the heritage assets are on the balance sheet.

So why value heritage assets?

Many museums and galleries do not see their principal objectives in financial terms, BUT they use and command economic resources and the financial statements provides an account of those resources and shows the changes that have taken place.

By reporting the cost or value of heritage assets it provides a context in which the other elements of the financial performance may be assessed.

Heritage assets are assets.

They are central to the purpose of a museum or gallery without which they couldn’t function.

A museum needs heritage assets to function as a museum. A heritage asset has utility and can be displayed to provide an educational or cultural experience to the public or it can be preserved for future display or for academic or scientific research.

The future economic benefits associated with the heritage asset are mainly in the form of service potential rather than cash flows.
It is this service potential that enables heritage assets to meet the definition of an asset by providing rights or other access to future economic benefits controlled by an entity as a result of a past transaction or events.

Although heritage assets are often described as inalienable, that is the assets cannot be disposed of without external consent, and so out of the “control” of the entity, the asset still has utility and is still deemed to meet the definition.

Best Accounting

If heritage assets are not capitalised the balance sheet will show an incomplete picture.

It is better to report heritage assets where information is available on cost or value than leave them out.

It is likely that current values will be more useful than historical cost, but it is acknowledged that there can be difficulties in getting a valuation for a heritage asset.