



Charities and not-for-profits



CHARITY ACCOUNTING AND REPORTING

All charities have various legal requirements and must fulfil a number of basic obligations. The extent of these obligations is dependent on the size of the charity, incorporating factors such as gross income, gross assets or the charity's constitution.

Nevertheless, all charities are required by law to keep accounting records and to prepare annual accounts which must be made available to the public on request. Many charities must also prepare an annual report alongside the accounts.

The varying requirements and choices that can be made by the charity's management and board of trustees can sometimes be complex and are often bewildering:

- Receipts and payments or accrual accounting.
- Independent examination or statutory audit.
- The level of detail and disclosure required to the annual report and the notes to the accounts.

With extensive knowledge and experience in the accounting and reporting requirements for charities, Simpson Wreford & Partners are able to advise and work with you to ensure your charity meets its legal and financial obligations.

On the following page, we summarise the accounting and reporting requirements for charities of all sizes.

ACCOUNTING AND REPORTING REQUIREMENTS

Size of the charity	Accounts and annual report obligations
Gross income does not exceed £25,000 in the relevant financial year	<p>Basis of preparation: a choice between receipts and payments or accruals accounts.</p> <p>External scrutiny: no requirement to have the accounts independently examined or audited unless required by the charity's governing document.</p> <p>Type of trustees' annual report: a trustees' annual report must be prepared but less detail is required of smaller charities.</p> <p>Information to be sent to the commission: no requirement to file accounts and annual report unless requested by the commission, but the charity must file an annual return with the commission within 10 months of the financial year end should gross income exceed £10,000.</p>
Gross income greater than £25,000 but less than £250,000 in the relevant financial year	<p>Basis of preparation: a choice between receipts and payments or accruals accounts.</p> <p>External scrutiny: must be checked, but trustees can choose either an independent examination or audit by a registered auditor, unless the charity's governing document specifies one or the other.</p> <p>Type of trustees' annual report: a trustees' annual report must be prepared but less detail is required of smaller charities.</p> <p>Information to be sent to the commission: must complete an annual return and file this along with the annual report and accounts with the commission, within 10 months of the financial year end.</p>
Gross income greater than £250,000, but less than £1m in the relevant financial year, and total assets not exceeding £3.26m	<p>Basis of preparation: must prepare accruals accounts.</p> <p>External scrutiny: must be checked, but trustees can choose either an independent examination or audit by a registered auditor, unless the charity's governing document specifies one or the other. Where an independent examination is chosen, the independent examiner appointed must be a member of a body specified under the Charities Act.</p> <p>Type of trustees' annual report: a trustees' annual report must be prepared but less detail is required.</p> <p>Information to be sent to the commission: must complete an annual return and file this along with the annual report and accounts with the commission, within 10 months of the financial year end.</p>
Gross income greater than £1m in the relevant financial year, or where gross assets exceed £3.26m and gross income is greater than £250,000*	<p>Basis of preparation: must prepare accruals accounts.</p> <p>External scrutiny: a statutory audit is required and the accounts must be audited by a registered auditor.</p> <p>Type of trustees' annual report: a full annual report must be prepared.</p> <p>Information to be sent to the commission: must complete an annual return and file this along with the annual report and accounts with the commission, within 10 months of the financial year end.</p>

* - For charities that have either charitable or non-charitable subsidiaries, similar reporting requirements exist where group income, after eliminating intra group transactions and consolidation adjustments, exceed £1m. Please contact us for further information.

Annual reports

The contents of the charity's annual report and disclosures required will be dependent on the charity's size. However, typically, these reports will contain:

- An overview of the charity's objectives and activities;
- A summary of the charity's achievements and performance during the year;
- A review of the charity's financial position at the end of the reporting period, and the charity's policy for holding reserves;
- Information to explain the charity's structure, governance and management;
- Reference and administrative details.

Financial audit

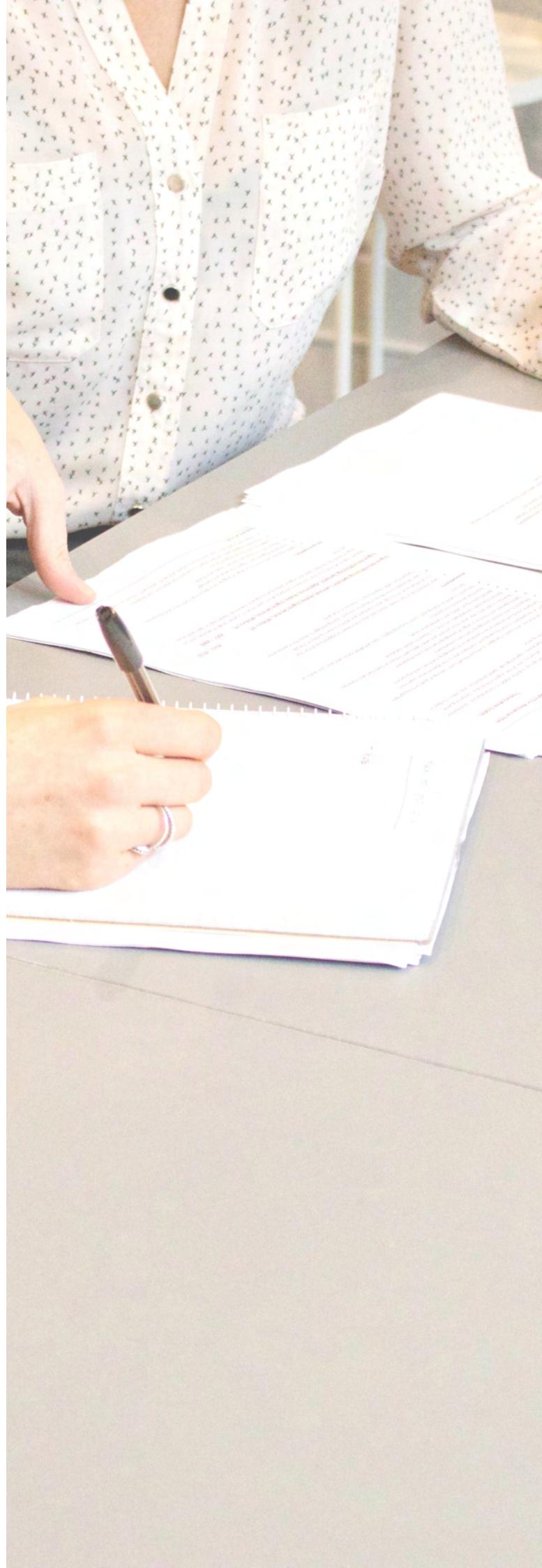
An audit is the inspection of a charity's accounts, by an independent auditor. Its aim is to form an independent opinion on the financial statements, including whether they show a true and fair view, and have been prepared in accordance with the relevant accounting standards (Charities SORP (FRS 102)).

Carried out by a registered auditor, it involves performing procedures on the numbers as disclosed in the financial statements, as well as a detailed review of the annual report and related disclosures to ensure they meet the requirements of charity law, and where applicable, company law.

An audit will also include a review of the charity's internal controls and procedures.

Independent examination

An independent examination is described by the Charities Commission as a "light touch' scrutiny' of the charity financial statements. It is a less complex review that involves checking whether the charity's accounts agree to the underlying accounting records, and whether the applicable accounting rules and regulations have been followed in their preparation. It does not involve forming an opinion as to whether the accounts are 'true and fair'.



HOW WE CAN HELP

Simpson Wreford & Partners work with a large number of charities and not-for-profit organisations across the UK, helping them with their accounting and financial reporting needs, and legal and regulatory obligations.

Our charitable clients range from large nationally-active charities, to small 'start-ups' at the beginning of their journey.

As a multi-disciplinary firm, we are able to support you and your charity with a full range of services, including:

- Statutory audit.
- Independent examination.
- Financial statement preparation.
- Bookkeeping and VAT compliance.
- Payroll.
- Governance advice.
- Risk management.
- Internal audit and control reviews.
- Reserve policies.

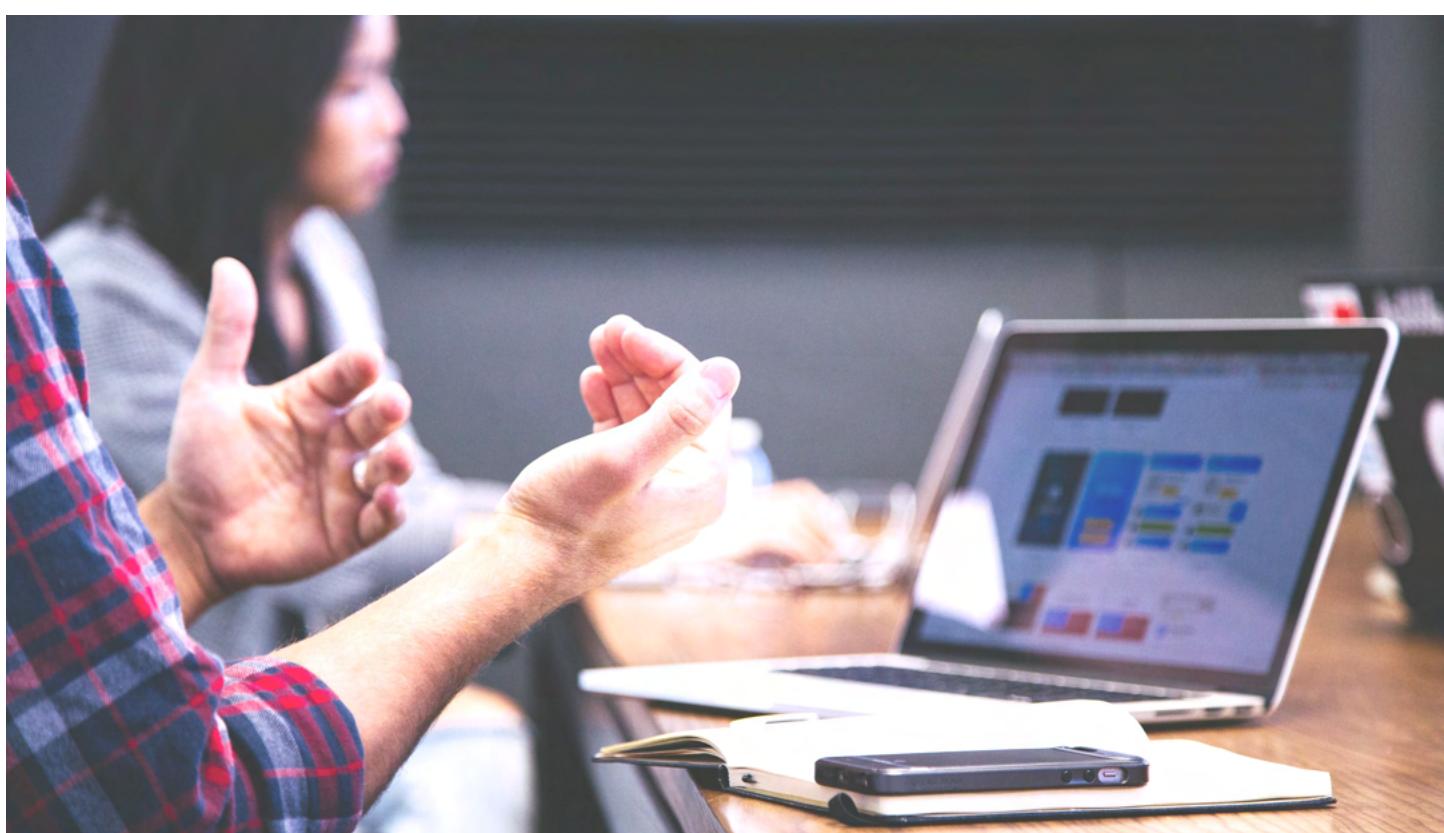
We are a four-partner firm of chartered accountants based in South London, which can trace its roots back over 130 years.

Our partners and staff are experienced in supporting charities, and understanding their needs.

In addition, some of our partners are trustees of charities themselves, giving them an invaluable insight into the inner workings of a charity, supporting its executive team and providing appropriate governance and oversight.

We aim to invest in the relationship with all of our clients, many of who have worked with the firm for years. We are fortunate enough to count the length of some of our professional relationships in decades, not just years.

We look to become a long-term trusted advisor, not just simply your accountant or auditor.



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