

# Accounting for charities

## Guidelines for accounting records

All charities are legally required to maintain proper accounting records. All charities must

- ✓ keep accounting records to show and explain their financial transactions
- ✓ keep accounting records showing day to day entries for all sums of money received or spent, showing the source or destination of funds
- ✓ keep records of assets and liabilities
- ✓ be able to show with reasonable accuracy their financial position on any particular date in the past
- ✓ keep accounting records for at least six years after the end of the financial year to which they relate
- ✓ make the accounts available to the public on request and the annual report, where one is required to be prepared

## Guidelines for accounting requirements

A number of useful publications giving information and guidance on accounting for charities are produced by the Charity Commission. To obtain copies

- ✓ View and print from their website [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)
- ✓ Email [publications@charitycommission.gov.uk](mailto:publications@charitycommission.gov.uk)
- ✓ Phone 0870 333 0123

## Other legal requirements vary according to the size of the charity

For financial years ending on or after 1 April 2009 they are:

### For unincorporated charities with an annual turnover under £25,000

- ✓ Accounts must be prepared but may be on the receipts and payments basis
- ✓ A simple annual report must be prepared
- ✓ A simple annual return must be sent to the Charity Commission if the income is more than £10,000
- ✓ There is no requirement to have the accounts independently examined or audited, unless the governing document says so. In addition, funders might insist on an independent examination

### For unincorporated charities with a turnover of between £25,000 and £250,000

- ✓ Accounts must be prepared but may be on the receipts and payments basis
- ✓ Accounts must be subject to outside scrutiny but trustees may choose an independent examination rather than audit if the governing document permits it
- ✓ An annual report must be prepared
- ✓ Accounts, report and annual returns must be sent to the Charity Commission within ten months of the financial year end

### For unincorporated charities with a turnover of between £250,000 and £500,000, and total assets not more than £3.26million

- ✓ Accounts must be prepared on the accruals basis
- ✓ Accounts must be subject to outside scrutiny but trustees may choose an independent examination rather than audit, providing the governing document permits it. If an independent examination is chosen and gross income exceeds £250,000 then the independent examiner must be a member of a specified body under the Charities Act
- ✓ An annual report must be prepared
- ✓ Accounts, report and annual returns must be sent to the Charity Commission within ten months of the financial year end

### For unincorporated charities with an income of over £500,000 and, or whose gross assets exceed £3.26 million and gross income exceeds £250,000

- ✓ Accounts must be prepared on the accruals basis
- ✓ Accounts must be audited by a registered auditor
- ✓ An annual report must be prepared
- ✓ Accounts, report and annual returns must be sent to the Charity Commission within ten months of the financial year end

### For incorporated charities (charitable companies)

- ✓ A charitable company must prepare a directors' report and accounts under the Companies Acts and file them with Companies House. The accounts must be prepared on an accruals basis
- ✓ The annual report requirements are the same for charitable companies as for unincorporated charities. In practice, the directors' report is expanded to include the additional charitable requirements. If the charity's income is more than £25,000 it must send the Charity Commission its annual report and accounts
- ✓ If the charity's income is more than £10,000 it must send us its annual return
- ✓ If the charitable company's gross income is more than £500,000 or the gross assets are more than £3.26million and gross income is more than £250,000 it must have a full audit by a registered auditor. If the income and assets are less than this it can choose an independent examination

**It is important to check your organisation's constitution. If your constitution requires a full audit then a full audit must be carried out and the charity's turnover limits are irrelevant.**

### Help from Newcastle CVS

- ✓ Ask Ellison Services, our community accountancy service, about **charity accounts and reporting**. Contact the team 0191 235 7020, [info@ellisonservices.com](mailto:info@ellisonservices.com) or [www.ellisonservices.com](http://www.ellisonservices.com)
- ✓ Newcastle CVS **information sheet** *How to prepare a budget* and others at [www.cvsnewcastle.org.uk](http://www.cvsnewcastle.org.uk)

Newcastle CVS supports voluntary and community action in Newcastle April 2014

Newcastle CVS | Higham House | Higham Place | Newcastle upon Tyne | NE1 8AF

askNCVS T 0191 235 7037 E [askncvs@cvsnewcastle.org.uk](mailto:askncvs@cvsnewcastle.org.uk) W [www.cvsnewcastle.org.uk](http://www.cvsnewcastle.org.uk)

Newcastle Council for Voluntary Service is a registered charity (number 1125877) and company limited by guarantee (number 6681475) registered in England and Wales | Our registered office is as above