How to prepare year end accounts

At the end of each financial year, small charities need to prepare a Trustees Annual Report and Annual Accounts in order to fulfil their financial responsibilities. For CIOs (whatever the income) and other registered charities with an income over £25k, these need to be filed online.

The Trustees Annual Report and Accounts is our window to the world. A good set of accounts filed on time is a huge fundraising - and therefore financial resilience - asset. Let's get them right.

Disclaimer. This should be fairly straightforward but over the years it has got quite complicated. None of what follows is professional advice. Always check with a proper professional when deciding what accounts to prepare and how to prepare them.

- **Income below £250,000**: If your charity's annual income is less than £250,000, and your are not registered with Companies House, you can probably prepare simpler accounts, often called "Receipts and Payments" accounts. This is a super helpful guidance pack from the Charity Commission Receipts and Payments pack
- **Income above £250,000**: If your annual income is over £250,00 you will need to prepare a more detailed set of accounts called accruals accounts. These will need to follow the Charity Statement of Recommended Practice (SORP for short). This is also a super helpful guidance pack from the Commission Accruals pack
- **Charities registered as companies** will need to prepare accruals accounts, even if the income is less than £250,000.

Make sure you know what to expect and that your accounts look like charity accounts. If you are not sure what they should look like you can check out these example accounts from the Charity Commission. If the set that has been prepared for you does not look like charity accounts we recommend that you ask your accountant to explain the differences.

Still unsure?

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2.Get them independently checked

- **Audit**: If your charity has an income over £1 million or assets over £3.26m you will need a full audit. Audits don't check every number, they do what is called substantive testing on numbers that are material so that the auditor can be confident that the accounts present a true and fair view of the financial position of the charity. It is still the Trustee's responsibility to ensure accuracy of the numbers.
- **Independent Examination**: Charities with income under £1 million typically need an independent examination of their accounts. This is a simpler review to ensure everything is accurate. You can find an examiner here at the Association of Charity Independent Examiners.

3. What else?

- **Trustee Annual Report**: The accounts have two sections. The financial statements and an accompanying narrative called the Trustee's Annual Report. This needs to follow a set format and explain the numbers in the financial statements. This comes before the financial statements.

4. Final thoughts

- The deadline for Charity Commission filing is 10 months from year end (n.b. Companies House is 9 months). The preparation and scrutiny process always, always takes longer than we think. Start early. Late filing shows up in red on the register and is not a great look.
- When fling online, you might get asked if your accounts are qualified. This means that there is a concern about them from your independent examiner. If there is no concern you should not report that your accounts have been qualified.
- Your Trustees Annual Report and Accounts tell a story. Make sure you know what it is saying.
- Congratulations on surviving another year! Celebrate that achievement!