# Financial reporting for charities

## Legal information for charities

### This fact sheet covers:

- reporting requirements that apply to charities registered with the ACNC
- annual information statement requirements
- annual financial report requirements
- requirements to review or audit annual financial reports

### Disclaimer

This fact sheet focuses on reporting to the Australian Charities and Not-for-profits Commission. Other laws, a charity's governing document, funding agreements and regulator requirements may impose additional obligations. Your charity should get legal advice if it's not sure what other legislation may apply.

Refer to the full disclaimer that applies to this fact sheet.

# ACNC annual reporting framework

Most charities registered with the ACNC must report each year under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (**ACNC Act**), and the *Australian Charities and Not-for-profits Commission Regulations 2022* (Cth) (**ACNC Regulations**).

A charity's ACNC reporting obligations depend mainly on its annual revenue, whether it is a Basic Religious Charity and whether another reporting arrangement or exemption applies.

### Note

A charity that is also registered with the Office of the Registrar of Indigenous Corporations generally reports to that regulator and does not submit an Annual Information Statement to the ACNC.

**Tip**

Check if your charity is registered with the ACNC by searching the ACNC Charity Register.

# Reporting requirements based on charity size

The ACNC classifies a charity by its total annual revenue for the reporting period. Revenue is not the same as total income.

| Size | Annual revenue | End of financial year reporting requirements |
|---|---|---|
| **Small** | Less than $500,000 | Annual Information Statement.<br>An annual financial report is optional under the ACNC framework. |
| **Medium** | $500,000 or more, but less than $3 million | Annual Information Statement and an annual financial report that is reviewed or audited. |
| **Large** | $3 million or more | Annual Information Statement and an audited annual financial report. |

## Note

- A small charity may still need financial statements, a review or an audit under its governing document, a grant or funding agreement, state or territory law, or another regulatory requirement.
- A charity may apply to the ACNC to keep its existing size for one reporting period if an unusual event temporarily increases its revenue and moves it to a higher size category. The charity must apply before lodging its Annual Information Statement and cannot do so in consecutive reporting periods.
- The ACNC may place additional reporting obligations on registered charities in special circumstances. This is not covered in this fact sheet.

## Note – CLGs registered with the ACNC

Companies limited by guarantee that are registered charities generally submit their annual financial information to the ACNC rather than the Australian Securities and Investments Commission (**ASIC**). If the charity is medium or large, this includes an annual financial report.

See the ASIC website for information about whether a charitable company should contact the ACNC or ASIC for particular reporting obligations.

For information about other types of financial reporting, see our financial reporting to government webpage.

# Annual Information Statement

A registered charity must submit an Annual Information Statement (**AIS**) for each reporting period unless an exemption applies.

The AIS must be in the **approved form**, which you can access through the ACNC Charity Portal. The online form asks about the charity's activities, people and finances. Some questions are mandatory and others are optional.

The ACNC does not charge a fee to lodge an AIS. Information supplied in the AIS is generally published on the ACNC Charity Register, except information that the ACNC excludes or agrees to withhold.

## Reporting period and due date

The standard ACNC reporting period is 1 July to 30 June. A charity may apply for approval to use a different reporting period.

- **For a reporting period ending on 30 June**, the AIS and any required annual financial report are generally due by 31 December of that year.
- **For an approved reporting period ending on another date**, the AIS and any required annual financial report are generally due within six months after the end of that period.

### Tip

The ACNC may approve extensions or set a different due date. Check the charity's record on the ACNC Charity Register and any correspondence from the ACNC.

For more information, see the ACNC's webpages on:

- reporting annually to the ACNC, and
- annual information statement due dates

## Newly registered charities

A newly registered charity generally reports from the date of registration to the end of its reporting period. If the ACNC registers the charity during the last three months of that reporting period, the charity may report for that short period or include it with the next reporting period, in line with the ACNC's policy and portal instructions.

If the ACNC backdates the charity's registration, the backdated date can affect tax concession treatment. The ACNC generally requires AIS lodgements only from the date on which it made the registration decision, rather than for each backdated year. Backdating depends on the charity's facts and is not available in every case.

### Caution

The option to backdate a charity registration:

- will not be available to all organisations, and
- may depend on when an organisation conducted activities consistent with the basis of the charity registration

For more information, see the ACNC's Commissioner's Policy Statement: Annual Information Statements.

## How to submit your Annual Information Statement

Complete and submit your charity's AIS through the ACNC Charity Portal.

Before submitting the AIS, check that:

- all mandatory questions have been answered
- the financial information is complete and accurate
- the figures in the AIS are consistent with the charity's annual financial report, if it must lodge one
- the charity has correctly reported any related party transactions and key management personnel remuneration that must be disclosed
- the person making the declaration is authorised to submit the AIS for the charity

After submitting the AIS, keep the lodgement confirmation and the records used to prepare it.

For current guidance and a checklist, see the ACNC's Annual Information Statement webpage.

## Correcting a material error

A charity that identifies a material error in a lodged AIS must submit a corrected AIS through the Charity Portal:

- within 28 days after identifying the error, for a medium or large charity
- within 60 days after identifying the error, for a small charity

An error may be material if required financial information is missing, the error affects the accuracy of the Charity Register, significantly affects public trust and confidence, or misleads the public.

## Late or missing reports

Failure to report can lead to enforcement action. The ACNC's published policy states that it may revoke registration if a charity fails to lodge an AIS for two reporting periods, even if those periods are not consecutive. The ACNC generally gives notice and an opportunity to respond before making a revocation decision.

This policy, including the revocation process, is set out in the Commissioner's Policy Statement: Revocation by the ACNC.

## Basic Religious Charities

A **Basic Religious Charity** is a charity that meets the ACNC's criteria for this category. It:

- must submit an AIS each year
- does not answer the financial information questions in its AIS
- does not have to submit an annual financial report, regardless of size
- does not have to comply with the ACNC Governance Standards
- must comply with its other ACNC obligations, including the External Conduct Standards where applicable

# Annual financial reports

The ACNC encourages small charities to submit an annual financial report, but this is optional under the ACNC reporting framework. A small charity should check whether its governing document, funding agreements, state or territory legislation or another regulatory requirement requires it to prepare, review, audit or submit financial statements.

Medium and large charities **must** submit an annual financial report with their Annual Information Statement unless an exemption or special reporting arrangement applies.

An annual financial report must meet the requirements of the ACNC Act and ACNC Regulations, comply with the applicable Australian Accounting Standards set by the Australian Accounting Standards Board (**AASB**), and give a true and fair view of the charity's financial position and performance.

## Minimum components

The exact content depends on the charity and the applicable accounting standards. As a minimum, the report generally includes:

- financial statements and notes required by the applicable accounting standards
- a signed and dated Responsible People's declaration
- for a medium charity, a signed and dated reviewer's report or auditor's report
- for a large charity, a signed and dated auditor's report

### Note – cash and accrual accounting

Medium and large charities must use accrual accounting for ACNC reporting. Small charities may generally use either cash or accrual accounting. In simple terms, cash accounting records income and expenses when money is received or paid, while accrual accounting records them when they are earned or incurred.

For more information, see the ACNC's annual financial report checklist on its website

## General Purpose or Special Purpose Financial Statements

A charity's financial statements must be either **General Purpose Financial Statements** (**GPFS**) or **Special Purpose Financial Statements** (**SPFS**).

- A reporting entity must prepare GPFS that comply with all applicable Australian Accounting Standards.
- A charity that is not a reporting entity may prepare either GPFS or SPFS for ACNC reporting.
- A charity preparing GPFS may need to comply with different disclosure requirements, depending on the applicable Australian Accounting Standards and its circumstances.

### Reporting entities

A charity is generally a reporting entity if people rely on its general purpose financial statements to make decisions. Factors include its size, significance, assets, debt, funding, workforce, and the degree of separation between management and members.

Seek advice from an auditor, reviewer or financial adviser if you are unsure.

For more information about reporting entities and the different types of financial statements, see the ACNC's webpage 'General and Special Purpose Financial Statements'.

## Key management personnel remuneration

Key management personnel are people with authority and responsibility for planning, directing and controlling the charity's activities, directly or indirectly. They may include Responsible People and senior executives, but the category depends on each person's actual authority and responsibilities.

For ACNC reporting:

- a large charity must report key management personnel remuneration in its AIS if it has more than one remunerated key management person, unless an exemption applies
- a medium charity that prepares GPFS must report this information if it has more than one remunerated key management person
- a medium charity that prepares SPFS may choose to report this information

### Tip

The remuneration amount reported in the AIS should be consistent with the financial report and applicable accounting standards. Check the current AIS guide for the reporting period.

For more information and an example case study, see the ACNC's webpage on key management personnel remuneration.

## Related party transactions

From the 2023 AIS onwards, charities other than Basic Religious Charities must report related party transactions in their AIS.

- Small charities disclose reportable related party transactions using the ACNC's simplified definitions and categories.
- Medium and large charities disclose material related party transactions and apply the relevant Australian Accounting Standards definitions.

A related party transaction is a transfer of resources, services or obligations between related parties. It does not need to involve a payment. Examples can include purchases, services, leases, loans, guarantees, property transfers and services provided free or at a discount.

### Tip – governance and records

Keep records of related party transactions, identify and manage actual, potential and perceived conflicts of interest, and document how decisions are made in the charity's best interests.

For more information, including information about what constitutes a reportable related party transaction or a material related party transaction, and tips for charities who manage related party transactions, see the ACNC's webpage on related party transactions.

## Review and audit requirements

### Medium charities

A medium charity must have its annual financial report reviewed or audited and lodge the reviewer's or auditor's report with the ACNC.

A review provides limited assurance. An audit provides reasonable assurance and involves more extensive work. The choice should take account of the charity's governing document, funding arrangements, legal obligations, risk profile and stakeholder needs.

A review or audit may be carried out by a registered company auditor, an audit firm or an authorised audit company. A review may also be carried out by a suitably qualified current member of CPA Australia, Chartered Accountants Australia and New Zealand, or the Institute of Public Accountants, in line with the legal requirements.

For more information, see the ACNC's webpage on reviewing and auditing financial reports and the ACNC's audit and review report template.

### Large charities

A large charity must have its annual financial report audited and lodge the auditor's report with the ACNC. The audit must be carried out by a registered company auditor, an audit firm or an authorised audit company.

The auditor's report must address whether the financial report meets the ACNC Act requirements. The auditor must be independent and provide a signed written independence declaration.

For more information, see the ACNC's webpage on reviewing and auditing financial reports and the ACNC's audit and review report template.

### Independence and other legal requirements

The reviewer or auditor must be independent. Relevant professional and auditing standards also apply.

## Note – state and territory laws

An incorporated association may have additional reporting, review or audit obligations under the law of its state or territory. Streamlined reporting arrangements do not cover every charity or every obligation. Check the rules that apply to the charity's legal structure and location.

Read more about reporting requirements to state and territory regulators on our website.

# Practical reporting checklist

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|---|---|
| Confirm the charity's ACNC registration status and reporting period. | ☐ |
| Check whether the charity is registered with ORIC, is a Basic Religious Charity, has a group reporting approval or is covered by another reporting arrangement. | ☐ |
| Calculate total annual revenue and confirm the charity's size. | ☐ |
| Check the ACNC due date and any extension or different due date that applies. | ☐ |
| Identify obligations under the governing document, funding agreements and other laws. | ☐ |
| Choose the correct financial reporting framework with accounting advice. | ☐ |
| Identify related parties and key management personnel early. | ☐ |
| Appoint an eligible independent reviewer or auditor, if required. | ☐ |
| Reconcile the AIS figures with the annual financial report. | ☐ |
| Obtain the Responsible People's declaration and reviewer's or auditor's report. | ☐ |
| Lodge through the Charity Portal and keep confirmation and supporting records. | ☐ |