

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

**This explanatory memorandum is part of the Standards Applicable under the Recognition Scheme for Charitable Organisations and enters into force on 1 January 2026. Specific terms in this explanatory memorandum have the same meaning as those used in the Standards.**

### 1. INTRODUCTION

A number of statutory provisions apply to the annual report of Charitable Organisations. In addition, the Guidelines of the Dutch Accounting Standards Board (DASB) apply. The Standards for the recognition of Charitable Organisations set down the conditions that have to be met in terms of the timeliness, the structuring and the monitoring of the annual report.

This explanatory memorandum addresses the standards that apply to the annual reporting of Charitable Organisations in the various categories. It also discusses a number of standards relating to the administrative organisation that forms the basis for the annual report.

#### The standards

The following standards address the annual reporting of Charitable Organisations and are discussed in the sections below: standard 8.1.1 (Annual reporting within six months), standard 8.1.2 (Structuring of the annual report), standard 8.1.3 (Auditing the annual report).

The following standards address the administrative organisation and are discussed in the sections below: standard 3.2.5 (Liquidity), standard 3.6.1 (Authorisations), standard 3.6.2 (Planning and control cycle), standard 3.6.3 (Budget monitoring).

### 2. ANNUAL REPORTING WITHIN SIX MONTHS

A B C D E      Standard 8.1.1 – Annual reporting within six months

---

S S S S S      Within six months from the end of the financial year, the annual report shall be adopted. Within the terms set by the law, this period may be extended by a period of no more than four months on the basis of special circumstances.

#### Annual reporting, not just financial statements

Annual reporting is understood to mean the management report, the financial statements and the other information, including the report issued by an auditor or audit committee. The obligation to adopt the annual report within six months pertains to all these components and in that respect goes beyond the requirements of the Dutch Civil Code (DCC).

Both Guideline 650 (applicable to organisations with a total income exceeding EUR 1 million) and Guideline C2 (applicable to organisations with a total income below EUR 1 million) provide instructions for the management report (see also section 3 for both guidelines).

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

### **Obligations under the DCC and the ANBI (Public Benefit Organisation) rules**

The Dutch Civil Code requires the boards of all legal entities to prepare and draw up in writing the balance sheet and the statement of income and expenditure of the legal entity annually within six months from the end of the financial year (article 10 of Book 2 DCC). This means that preparing the financial statements is mandatory for all legal entities.

In the case of associations, the board must submit both the financial statements (consisting of the balance sheet and the statement of income and expenditure, with explanatory notes) and the management report (on the state of affairs in the association and the policy pursued) to the general meeting that approves the financial statements (article 48 of Book 2 DCC). The special case of a commercial association (article 49 of Book 2 DCC) or a commercial foundation (article 300 of Book 2 DCC) is not considered for the purposes hereof.

The ANBI rules require a Charitable Organisation that is also an ANBI to publish ‘the balance sheet and the statement of income and expenditure, with explanatory notes’ within six months from the end of the financial year (Dutch Implementing Regulations to the State Taxes Act) (Ur AWR), section 1a (9). No deadline is set by the law with regard to the other parts of the obligation to publish.

### **Extension on the basis of the scope provided by the law**

Standard 8.1.1 provides the scope for an extension of the six-month period by a maximum of four months within the possibilities provided by the law.

The ANBI rules do not provide for any explicit possibilities for an extension of the six-month period applicable to the publication of the financial statements, nor is a reference made to any rules governing the adoption thereof (Ur AWR, section 1a (9)).

Overall, restraint is called for when considering an extension of the six-month period as referred to in standard 8.1.1. In order for said period to be extended, special circumstances are required, as well as a resolution by the body authorised to adopt the annual report.

## **3. THE STRUCTURING OF THE ANNUAL REPORT CATEGORIES A AND B**

### **The standard applicable to categories A and B**

A B C D E      Standard 8.1.2 – Structuring of the annual report

---

S S . . .      The financial statements are structured in accordance with the formats of Guideline C2 or Guideline 650

D D . . .      In addition to the financial statements, the Charitable Organisation shall seek to also structure the other components of its annual report in accordance with Guideline C2 or Guideline 650. If legislation or regulations stipulate that a different guideline of the Dutch Accounting Standards Board must be observed, the Charitable Organisation shall explain this. In that case, the

Commissie

## Explanatory Memorandum GD-03 – Rules on annual reporting

Normstelling

annual report shall contain additional information in accordance with Guideline C2 or Guideline 650.

### **Explanation of the standard applicable to categories A and B**

Standard 8.1.1 requires all Charitable Organisations to render an account through annual reporting, in the form of a management report, the financial statements as well as the additional information, including the Accountant's report.

Standard 8.1.2 requires the formats of Guideline C2 to be applied. In addition to these formats, Guideline C2 provides detailed instructions for the annual reporting, both for the financial statements and for the management report. The strict standard makes the application of the formats for the financial statements mandatory (more on this below). The development point also requires the Charitable Organisation to comply with the other elements of Guideline C2.

### **Financial statements – in accordance with Guideline C2 formats**

With regard to the financial statements, standard 8.1.2 stipulates as a strict requirement that the formats of Guideline C2 must be applied. These formats appear in 'Chapter C2, small fundraising organisations' of the 'Guidelines for annual reporting for micro and small legal entities' published by the Dutch Accounting Standards Board. The specific formats are 'C2 Appendix 1 Model balance sheet' and 'C2 Appendix 2 Model income and expenditure'.

The format for the balance sheet is recognisable by the distinction between reserves and funds on the liabilities side. The format for the statement of income and expenditure is recognisable by the breakdown of income by donor category and the breakdown of expenditure according to purpose, fundraising costs and cost of management and administration.

For categories A and B, the expenses must be divided across purpose, recruiting and cost of management and administration. The organisations are free in determining the manner in which they arrive at this division. These Charitable Organisations can use 'Model 3 allocation of costs' from Guideline 650, which applies to large organisations, as a tool for providing the requested insight.

A number of other standards are related to the application of the formats in Guideline C2, namely:

- Standard 2.3.2 on the desired ratio between recruitment costs and the benefits arising from these;
- Standards 3.2.1 and 3.2.2 on the policy regarding the maintaining and spending of reserves and funds

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

- Standards 3.3.1 - 3.3.3 on the distribution of costs across purpose, recruiting costs and cost of management and administration.

### Management report – strict standard and development point

Strict standard 8.1.1 concerns the mandatory annual reporting, including a management report. Strict standard 4.1.3 requires the Charitable Organisation to provide an insight into the activities it has carried out and to set this down in writing. If this activity report is adopted by the management board, it will be sufficient for organisations of limited size to be regarded as a management report.

For the further details of the management report, the Committee refers to Guideline C2, which lists the following elements as part of the management report (paragraph RJk C2:402):

- the objective, mission and vision;
- the main risks and liabilities;
- the achievement of objectives;
- the financial policy;
- the governance;
- the communication with stakeholders;
- the expected course of events; and
- the social aspects of entrepreneurship.

Where in other standards accountability is required or where this is desirable for the user of the annual report, it is obvious that these elements should be addressed in the management report. For example, if specific risks have been discussed by the management board and have been assessed as relevant, it may be expected that these will be addressed in the management report.

## 4. THE STRUCTURING OF THE ANNUAL REPORT CATEGORIES C, D AND E

### The standard applicable to categories A and B

A B C D E Standard 8.1.2 – Structuring of the annual report

---

.. S .. The annual report shall be structured in accordance with Guideline C2 or Guideline 650, unless legislation or regulations stipulate that a different guideline of the Dutch Accounting Standards Board must be observed. In that case, the annual report shall contain additional information in accordance with Guideline C2 or Guideline 650.

.. D .. The annual report shall provide an insight into the allocation of costs in accordance with the ‘Model 3 Explanation of Expenses’ from Guideline 650. If

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

the Charitable Organisation decides to derogate from, it shall state the reasons for doing so.

... S S

The annual report shall be structured in accordance with Guideline 650, unless legislation or regulations stipulate that a different guideline of the Dutch Accounting Standards Board must be observed. In that case, the annual report shall contain additional information in accordance with Guideline 650.

### **Which Guideline applies**

Guideline 650 applies to fundraising organisations generating revenues of EUR 1 million or more annually. Guideline 650 is a detailed version of the guidelines that apply in a more general sense to companies and not-for-profit organisations. Provisions in the underlying guidelines that apply to large organisations apply by analogy, even though a different threshold applies to companies before they are classified as 'large organisations'.

Guideline C2 applies to fundraising organisations with revenues of up to EUR 1 million annually. Guideline C2 contains exemptions from Guideline 650. Organisations in category C are required to apply Guideline C2, but may also apply Guideline 650.

In certain cases, regulations stipulate that a different guideline of the Dutch Accounting Standards Board must be observed from the one mentioned in the standard. In that case, the annual report must contain additional information in accordance with Guideline C2 or Guideline 650, respectively. This additional information must contain not only the models, but also the explanatory memorandum thereto, insofar as all this is not already apparent from the financial statements and the management report.

### **Development point: allocation of costs**

Standard 8.1.2 describes the application of the format 'Model 3 Explanatory Memorandum on Expenditure' from Guideline 650 as a development point for category C. The format in question is published in 'Chapter 650, Fundraising Organisations' of the 'Guidelines for Annual Reporting for Medium-Sized and Large Legal Entities' published by the Dutch Accounting Standards Board.

In this model, the different categories of costs are broken down according to the function for which they were incurred, namely purpose, recruiting or management and administration.

## 5. AUDIT ANNUAL REPORTING CATEGORIES A AND B

### The standard applicable to categories A and B

A B C D E Standard 8.1.3 – Audit of the annual report

- 
- S S . . . The annual report shall be audited and provided with a statement by an audit committee (in Dutch: kascommissie) or a professional administrative office, or with at least a compilation report from an accountant.
- S S . . . The audit committee (if applicable) consists of at least two members who have sufficient financial expertise and are independent and impartial.
- S S . . . The board is obliged to provide the audit committee with all the information it requests for the purposes of its audit.
- S S . . . If the Charitable Organisation has a Supervisory Board, this will act as the audit committee or the audit committee will be appointed by it. If the Charitable Organisation does not have a Supervisory Board, the audit committee will be appointed by the board.
- S S . . . The Charitable Organisation shall define the policy regarding the audit of the annual report.

### Accountant's report on the annual report, not on the financial statements only

Standard 8.1.3 requires that an Accountant's report must be issued with both the annual report and with the financial statements. This has two implications.

- The management report is involved in the activities performed by the party issuing the report;
- The report sets out the findings regarding the compatibility of the management report and the financial statements.

### The management report in relation to external audit

The management report is incorporated in the work of the audit committee, a professional accounting firm or the auditor. Standard 8.1.3 aims to ensure that two aspects are examined.

First, it is examined whether the management report is consistent with the financial statements. Not only should the financial statements be consistent with the management report in terms of figures, but any qualitative statements in the management report must not be in conflict with the picture presented by the financial statements either.

Second, it is examined whether the management report contains any material (i.e. significant) inaccuracies, insofar as the party issuing the statement is able to assess this. The

Commissie

Explanatory Memorandum GD-03 – Rules on annual reporting

Normstelling

starting point here is the knowledge and understanding obtained on the basis of the audit of the financial statements.

### **The position of the management report in the opinion**

The party issuing the opinion accompanying the annual report is required to also pay attention to the management report in that opinion.

The opinion must at least mention that the management report was read and assessed on based on the knowledge and understanding obtained from the audit of the financial statements.

In addition, the opinion must mention the fact that the management report and the financial statements are consistent with each other and that the management report does not contain any material (i.e. significant) inaccuracies.

### **Opinion issued by an audit committee**

The audit committee issues an opinion summarising its conclusions. This opinion must also show that:

- the members of the audit committee have sufficient expertise and are independent and impartial;
- the management board has provided the audit committee with all the information it requested for the purposes of its audit.

The CBF provides a guidance note for audit committees as a tool. This tool provides an insight into the work to be performed and the wording of conclusions. The Committee recommends the use of this tool.

### **Accountant's compilation report**

Where in the standards reference is made to an accountant, this means an accountant entered in the register of the NBA (the Royal Netherlands Institute of Chartered Accountants) (bearing the title RA or AA). An accountant's compilation report should not be confused with a compilation report issued by someone without a protected accountant's title. An accountant who issues a compilation report is bound by the professional standards of the NBA and subject to disciplinary law.

### **Opinion issued by a professional administrative office**

Charitable Organisations can make use of a professional administrative office. Such an administrative office can issue an opinion, or compilation report, to accompany the annual report. An opinion issued by an administrative office is not bound by the NBA standards, as would be the case if the opinion were issued by an accountant.

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

If a professional administrative office issues an opinion with the annual report, the quality of the work, or audit work, must be evident from that opinion itself. The management board makes agreements about these activities, or audit activities, with the administrative office.

The activities performed in substantiation of the opinion issued must at least be on the same level in terms of substance as an opinion issued by an audit committee. The CBF provides a work programme for audit committees as a tool. The work to be performed and the wording of conclusions described therein are a good starting point for the opinion of a professional administrative office.

### 6. AUDITING THE ANNUAL REPORT CATEGORY C

#### Explanatory memorandum to the standard applicable to category C

A B C D E	Standard 8.1.3 – Audit of the annual report (continued)
.. S ..	The annual report must be provided with at least a compilation report from an accountant.
.. D ..	The Charitable Organisation shall develop in such a way that, with effect from a certain reporting year, the accountant's compilation report with the annual report will be replaced by a review report (in Dutch: beoordelingsverklaring) from an accountant.

Up to and including the year 2024, Charitable Organisations with a total income of EUR 500,000 or more were required to submit an audit report. This threshold has been raised to a turnover of EUR 1,000,000.

Category C now includes Charitable Organisations with a turnover between EUR 200,000 and EUR 1,000,000, for which at least a compilation report is required. The development point indicates that, in the event of growth and/or further development, the Charitable Organisation must decide for itself whether a review report is appropriate. A review report from an accountant provides a limited degree of certainty and is less far-reaching than an auditor's report. Charitable Organisations that were able to submit an auditor's report up to and including 2024 have already undergone the aforementioned development. It stands to reason that they will now opt for at least a review report.

Commissie  
Normstelling

## Explanatory Memorandum GD-03 – Rules on annual reporting

### 7. INTERNAL GUIDANCE AND CONTROL

#### No standards, but responsibility for categories A and B

No standards for internal guidance and control have been established for categories A and B. As to categories C, D and E, however, internal guidance and control are provided for in standards 3.6.1 (Authorisations), 3.6.2 (Planning and control cycle) and 3.6.3 (Budget monitoring). Categories A and B also require that their work organisation and work processes are structured in such a way that guidance and control take place at an appropriate level.

In this context, standard 5.2.1 (Power of disposal) should also be read by these organisations with a view to internal guidance and control. In line with standard 5.2.1, assuming commitments and making payments must be subject to a dual control principle, such that it is evident that decisions and payments have been subject to the dual control principle.

#### Standard 3.2.5 – Liquidity

A B C D E	Standard 3.2.5 – Liquidity
. . D . .	The Charitable Organisation shall manage the funds in such a manner as to be provided with an insight into the relation between any future income and expenditure
. . . S S	The Charitable Organisation shall provide a projection of its liquidity position.

The development point for category C seeks to ensure that the Charitable Organisation has an insight into its liquidity development (i.e. the availability of financial resources) and can manage this in the short and longer term. With respect to category C, the Charitable Organisation is free in determining the manner in which it will do so. This standard does not apply to categories A and B. Charitable Organisations in those categories will, of course, have to ensure that their liquid assets are sufficient to meet their obligations.

For categories D and E, a liquidity projection is required. In practice, in the case of projects of varying sizes, a distinction is made between regular cash flow (the regular expected income and expenditure for the organisation and current obligations) and project cash flow (more incidental, often larger and separately manageable project income and expenditure). The Charitable Organisation will have to structure the liquidity projection in such a way that it is in line with the guidance and control of its resources