

Non-Profit Annual Reports: The Basic Ingredients

By E. Grant MacDonald



An annual report is a document that outlines the activities of your organization over the past year and provides an outlook for the future¹. It is one important vehicle with which your organization can demonstrate its **accountability** to members, stakeholders and the community.

Responsibility for the organization’s annual report rests primarily with the Board of Directors; it should not be the Executive Director job to be the one who insures organizational accountability at this level. The board may not produce it, but it needs to assume the leadership for it.

An annual report can be a modest double-sided single sheet that is produced with word-processing software and photocopied, or it can be a 20-page, 4-colour booklet designed by a graphic designer and produced by a commercial printer. Most medium-sized and small non-profit organizations will, for good reasons, be at the former end of this spectrum. Some organizations may want to produce both detailed and ‘abridged’ annual reports.

Here are a few tips that will be valuable in producing and distributing a modest two to four page annual report:

- Make your annual report an “annual” undertaking, not a reaction to an external request that you respond to once and awhile.
- An annual report is not the same as your independent auditor’s report (the annual financial report) or your treasurer’s financial report, although key financial information must be included in it.
- An annual report can be prepared in advance of your Annual General Meeting (AGM) or can be prepared shortly thereafter and drawn from the reports approved at the AGM.
- Before you start work on your annual report be clear about who will receive the report. It ought to be written for members, important stakeholders (e.g. other organizations) and your external community.²
- A two-column format can be effective in fitting text, pictures and charts into the available space.
- If you produce and distribute a newsletter, consider issuing an “Annual Report Edition”.

- Always include some financial information including revenues and expenditures. If you are communicating to a wide audience you do not need to provide a lot of detail. The three or four major revenue categories and six or seven major expenditure categories may be sufficient information to demonstrate financial accountability. Consider conveying this information in a “pie chart” format – two circles with their sections depicting revenues sources and major expenditure areas.
- If you have an independent Auditor’s Report for the year or a detailed Treasurer’s Report indicate somewhere that these are available to anyone interested. Your accounting firm can suggest how best to summarize the financial results you want to communicate and how their firm’s name should be conveyed to indicate that an external audit was done.
- Include a list of your board of directors, including the officers of the board, as well as key staff members.
- Highlight your organization’s mission statement, objectives and, if you have one, a statement of your organization’s core values.
- Include a short report from the board (Chair’s Report) on governance and strategic issues and an Executive Director’s report on operations. One or the other, or both, should highlight some of the organization’s main accomplishments over the year and the challenges and opportunities that lie ahead. These two items can be used for offering thanks to staff and indicating a few personnel or HR milestones such as significant departures and new hires.
- If you have embarked on a program of outcome measurement, your annual report is a logical place to report on high (organizational) level results on what has been accomplished.
- Decide in advance how you plan to distribute your annual report and what this might cost in dollars and staff time. Options will include distributing it by mail, as an insert in another publication, at a community event or conference, or all of the above. You may want to avoid sending it out broadly as an e-mail attachment (PDF file). There is evidence to suggest as an attachment will not be opened or if opened, read. Putting the highlights in the body of the e-mail may be an improvement.
- For some key funders or stakeholders, it may be desirable to send the report with an accompanying letter highlighting their particular interests.
- Insure that your annual report is posted on your organization’s website.

¹ Note: Your Annual Report is for a twelve-month period; it is not a picture of the organization at certain date. While statements of revenues and expenditure always cover a period of operations (from...to...), a balance sheet reflects your asset and liability position at a point in time (as of...).

² Some clubs and other organizations produce an annual report that is really a yearbook documenting and celebrating organizational activities. Such a report may be very valuable internally for members, staff and participants. You may want to combine the two objectives; with the Annual Report elements focused more on external accountability.