Guide to Accounting for Small Associations:

Implementing the new accounting regime

Luxembourg

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Contents

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1. Introduction

The Law of 7 August 2023 on non-profit associations and foundations (*Loi du 7 août 2023 sur les associations sans but lucratif et les fondations*), hereafter 'the Law of 7 August 2023' or 'the new law', provides for the introduction of a new accounting regime for non-profit associations (hereafter 'ASBLs' or 'associations') and foundations.

Since the vast majority of associations are small, complying with the new regime may seem quite challenging for their directors and treasurers.

The purpose of this 'Guide to Accounting for Small Associations' is therefore to facilitate the tasks incumbent on directors and treasurers of small associations, by explaining, in simple terms, the steps to follow to ensure that their associations comply with the new accounting regime that applies to them.

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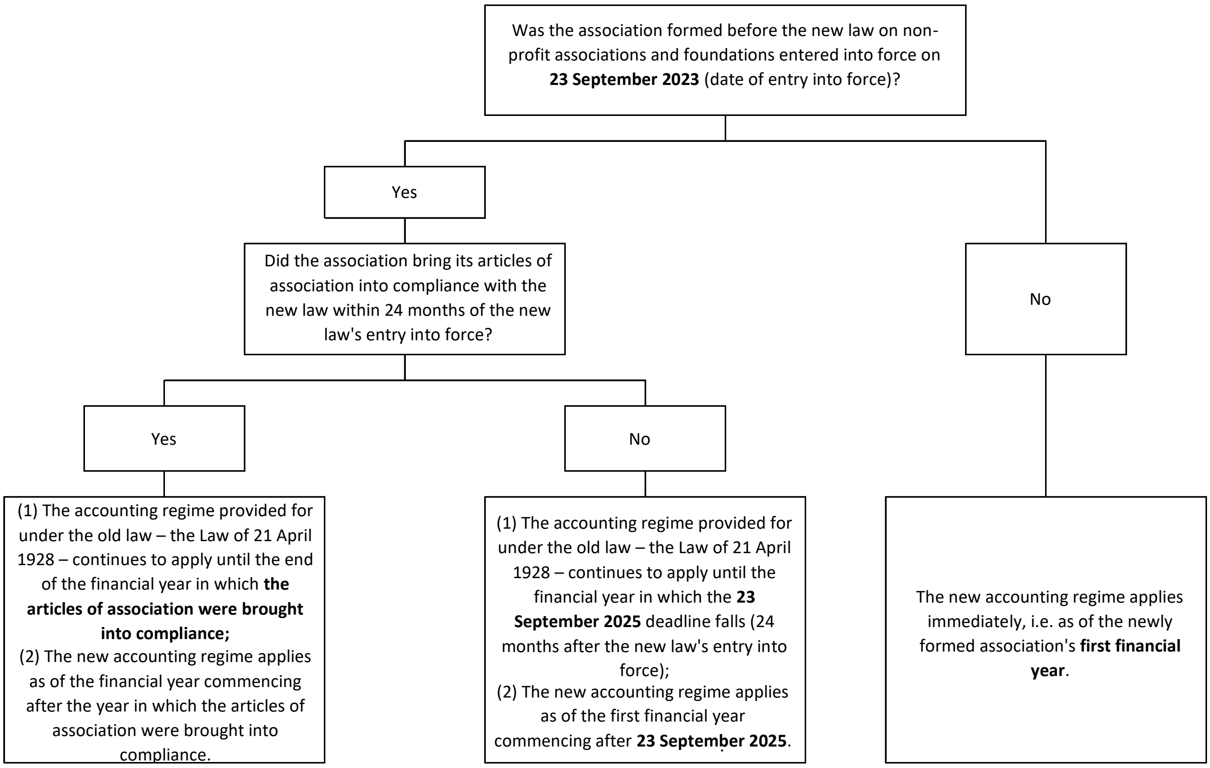
2. Applying the new accounting regime for the first time

The first question that directors and treasurers of small associations should ask themselves is when they should start implementing the new accounting regime provided for in the Law of 7 August 2023.

To determine when they should start implementing this new regime, they should first establish whether their association was formed before or after the date on which the new law entered into force, i.e. 23 September 2023. The decision tree below presents an overview of the questions that associations' directors and treasurers should answer, in order to determine exactly when they should start implementing the new accounting regime.



A distinction should therefore be made between those associations that were formed before the date on which the new law entered into force and those that were formed after it took effect. Both of these cases are discussed below, starting with associations formed after the new law entered into force (see section 2.1.), followed by associations formed before that date (see section 2.2.).

2.1. When does the new accounting regime apply for associations formed after the new law's entry into force?

For associations formed after the new law's entry into force, the new accounting regime applies immediately, i.e. as of their first financial year.

2.2. When does the new accounting regime apply for associations formed <u>before</u> the new law's entry into force?

Article 77(1) of the new law stipulates that:

'The articles of association of associations and foundations formed before this law's entry into force shall be made compliant with the provisions of this law within twenty-four months of this law's entry into force (…).

<u>Over the intervening period, such associations and foundations shall continue to be subject to the previously applicable legal provisions</u> (…)'.

In light of the foregoing, associations formed before 23 September 2023 will continue to be subject to the former regime – as provided for in the old Law of 21 April 1928 and their existing articles of association – for a period of no more than 24 months, i.e. until 23 September 2025, unless they bring their articles of association into compliance with the new law before that deadline.

The following cases are presented as examples.

<u>Example 1 – An association whose financial year coincides with the calendar year updated its articles of association on 15 December 2023.</u>

Since the association brought its articles of association into compliance before the 23 September 2025 deadline, the new accounting regime would apply **as of the financial year following that in which the articles of association were made compliant**, that is to say, as of the financial year commencing on 1 January 2024, for which the financial statements would need to be approved by no later than 30 June 2025, and filed with the Trade and Companies Register (RCS) by no later than 31 July 2025.

<u>Example 2 – An association whose financial year coincides with the calendar year failed to update its articles of association by the 23 September 2025 deadline.</u>

Since the association failed to bring its articles of association into compliance before the 23 September 2025 deadline, the new accounting regime would apply **as of the first financial year following that in which the deadline fell**, that is to say, as of the financial year commencing on 1 January 2026, for which the financial statements would need to be approved by no later than 30 June 2027, and filed with the Trade and Companies Register (RCS) by no later than 31 July 2027.

<u>Example 3 – A sports club that was set up as an association, with its financial year commencing on 1 October and ending on 30 September of the following year, failed to bring its articles of association into compliance within 24 months of the new law's entry into force.</u>

Since the association failed to bring its articles of association into compliance before the 23 September 2025 deadline, the new accounting regime would apply **as of the first financial year following that in which the deadline fell**, that is to say, as of the financial year commencing on 1 October 2025 and ending on 30 September 2026, for which the financial statements would need to be approved by no later than 31 March 2027, and filed with the Trade and Companies Register (RCS) by no later than 30 April 2027.

Example 4 – A dance club that was set up as an association, with its financial year commencing on 1 September and ending on 31 August of the following year, failed to bring its articles of association into compliance within 24 months of the new law's entry into force.

Since the association failed to bring its articles of association into compliance before the 23 September 2025 deadline, the new accounting regime would apply **as of the first financial year following that in which the deadline fell**, that is to say, as of the financial year commencing on 1 September 2026 and ending on 31 August 2027, for which the financial statements would need to be approved by no later than 29 February 2028, and filed with the Trade and Companies Register (RCS) by no later than 31 March 2028.

3. How should small associations' accounts be drawn up under the new law?

Where associations are concerned, the Law of 7 August 2023 provided for the introduction of a category-based regime, which divides associations into 3 categories, namely 'small associations', 'medium-sized associations' and 'large associations'. Note that foundations and associations that are recognised as public-interest organisations are always classified as 'large associations', regardless of size-criteria thresholds.

3.1. Which classification criteria should be used?

Associations are classified based on 3 size-related criteria.

For an association to be classified as a 'small association', it must not exceed the threshold set for at least 2 of the 3 size criteria, which are '**number of full-time equivalent staff**', '**total income**' and '**total assets**'. In other words, to be classified as a 'small association', an association must not exceed the threshold set for more than one of the 3 size-related criteria.

To help directors and treasurers accurately classify their associations, each of the 3 criteria is discussed in detail below (see sections 3.1.1., 3.1.2. and 3.1.3.), following which the 'repetition' criterion is addressed (see section 3.2.1).

3.1.1. How should the 'number of full-time equivalent staff' be determined?

First of all, it should be understood that the term 'staff' here refers only to those members of the association's staff who have an employment contract with the association. As such, 'staff' here does not include volunteers, temporary agency workers or staff assigned to the association.

The term 'full-time equivalent' (FTE) refers to paid, full-time employment, where 'full time' is considered with respect to legal working hours. In Luxembourg, normal working hours are 8 hours a day and 40 hours a week (i.e. 173 hours a month, on average). So, if an association has 2 part-time employees, each of whom works 20 hours a week, this is considered as one full-time equivalent.

As is the case with the legal accounting rules that apply to business enterprises, 'number of full-time equivalent staff' refers to an average number of employees in a financial year, rather than the number of employees at the closing date of the financial year. This number can be determined by calculating the average of the number of employees at the beginning and end of the financial year.

$$\frac{\textbf{number of FTE staff at the } \underline{\textbf{start of the financial year}} + \textbf{number of FTE staff at the } \underline{\textbf{end of the financial year}}}{\textbf{2}}$$

So, if an association had 5 full-time equivalent employees at the beginning of the financial year and 2 at the end of the financial year, the average number of full-time equivalent employees would be 3.5, which exceeds the threshold for this criterion for the financial year concerned.

More complex methods can also be used, such as calculating weighted averages based on half-yearly, quarterly, monthly and even daily changes in workforce numbers.

It is also possible to divide the total number of hours worked by the association's staff in the financial year by the total number of hours worked by a full-time employee in a year, i.e. 2,080 hours (40 hours * 52 weeks).

3.1.2. How should 'total income' be determined?

Where small associations are concerned, 'total income' refers to 'receipts', whereas for medium-sized and large associations it refers to 'accrued revenue'. As small associations are not required to record their financial transactions using a double-entry accounting system, the notion of 'accrued revenue' is not relevant. The new law only requires small associations to use a simple method of accounting in which receipts and payments are recorded.[1].

For this criterion, 'receipts' means all of the sums received by the association in the financial year, i.e. cash on hand and cash on bank deposit, excluding receipts from financing transactions (e.g. loans) or disinvestment transactions (e.g. disposal of machinery or equipment).

Receipts that are considered eligible for the purpose of calculating 'total income' include:

- membership dues;
- receipts received by the association in the normal course of its activities;
- occasional receipts from association-run events;
- grants (provided they are not tied to the purchase of an asset, such as machinery or equipment);
- donations;
- interest from cash-surplus investments.

On the other hand, the following may not be included in 'total income':

- proceeds from sales of assets (e.g. machinery or equipment);
- grants to finance purchases of assets (e.g. machinery or equipment), in full or in part;
- loans from banks, or from other sources of financing, that the association is required to repay in the short, medium or long term.

3.1.3. How should 'total assets' be determined?

Calculating 'total assets' – i.e. the total value of all assets – is not easy for small associations, since they are only required to use a simple method of accounting in which receipts and payments are recorded, without recognising assets and liabilities (for balance sheets) and accrued revenue and expenses (for profit and loss accounts).

[1] Note that small associations that are already using a double-entry accounting method can continue to do so. Indeed, 'receipts and payments' accounting, as defined by the law, is the minimum requirement, but there is nothing to prevent associations from using more sophisticated accounting methods.

Since small associations are not required to produce a balance sheet showing total assets, 'total assets' are generally calculated based on an 'off-book' inventory carried out at the end of the financial year.

Note that ageing assets that are still in use, even though their resale value is zero or close to zero, need not be recorded in the 'off-book' inventory of assets.

For that inventory, small associations should include the following assets:

- cash on hand;
- cash on bank deposit;
- receivables, if any (e.g. unpaid membership dues);
- stocks, if significant in value;
- materials, furnishings and equipment;
- all immoveable assets, if any;
- any other properties, rights or assets belonging to the association, provided their value is positive.

Once inventoried, the assets' value should be assessed to determine whether the threshold for the 'total assets' criterion is exceeded or not. The assets' value may be assessed based on their current value or their historical value (purchase cost). Note that if assets of significant value were purchased a long time ago, their current value is likely to be non-significant (e.g. musical instruments for a brass band). In any case, the asset-valuation method should be chosen carefully and logically, and not solely for the purpose of keeping figures below the thresholds. In other words, the assets' value should be estimated in good faith.

3.1.4. Overview

Size criteria: what is included and what is not included

Number of full-time equivalent staff	***Total income***	***Total assets***
What is included: - staff who have an **employment contract** with the association (for full-time or part-time work, under a fixed-term or indefinite-term contract).	What is included: - **dues** received from members; - **current receipts** received by the association in the normal course of its activities; - **occasional receipts** from association-run events; - **grants received** (excluding investment grants); - **donations received**; - **interest payments received** (invested cash surplus).	What is included: - cash **on hand**; - cash **on bank deposit**; - **receivables** (if any); - **stocks**; - **materials**, **furnishings** and **equipment**; - all **immoveable assets**, if any; - **any other properties, rights or assets** that belong to the association, and have a positive economic value for the association.
What is not included: - **volunteer workers;** - **temporary workers;** - **staff assigned** to the association.	What is not included: - **receipts from sales of investment assets**, such as machinery or equipment; - **investment grants** to finance the purchase of assets, in full or in part; - **loans from banks and receipts from other sources of financing**.	What is not included: - cash outflows to cover **expenses** (e.g. supplies or small items of equipment); - **properties, rights or assets** that do not have a positive economic value for the association.

3.2. Classification of existing associations and the case of newly formed associations

3.2.1. Classification of existing associations

- **Threshold figures**

Now that the classification criteria have been described and explained (see section 3.1), the next step is to determine which category the association belongs to.

In that regard, the threshold figures that apply to **small associations** are specified in Article 18, paragraph 4, first subparagraph of the new law, which provides that:

> *'Any association which, for 2 consecutive financial years, on its financial year's closing date, <u>does not exceed</u> the threshold figures for at least 2 of the following 3 criteria:*
>
> *1. number of full-time equivalent staff: <u>fewer than 3</u>;*
>
> *2. total income: <u>EUR 50,000</u>;*
>
> *3. total assets: <u>EUR 100,000</u>;*
>
> *shall be classified in the category '<u>small associations</u>' for the purposes of this article.'*

The threshold figures that apply to **medium-sized associations** are specified in Article 18, paragraph 5, first subparagraph of the new law, which provides that:

> *'Any association that is not a small association, as defined in paragraph 4, and which, for 2 consecutive financial years, on its financial year's closing date, <u>does not exceed</u> the threshold figures for at least 2 of the following 3 criteria:*
>
> *1. number of full-time equivalent staff: <u>more than 15</u>;*
>
> *2. total income: <u>EUR 1,000,000</u>;*
>
> *3. total assets: <u>EUR 3,000,000</u>;*
>
> *shall be classified in the category '<u>medium-sized associations</u>' for the purposes of this article.'*

Lastly, Article 18(6) of the new law defines **large associations** as follows:

> *'Any association which, for 2 consecutive financial years, on its financial year's closing date, exceeds the threshold figures for at least 2 of the 3 criteria mentioned in paragraph 5, shall be classified in the category '<u>large associations</u>' for the purposes of this article.'*

The table below provides an overview of the 3 categories that are used to classify associations:

	Small association Art. 18(4) first subparagraph			**Medium-sized association** Art. 18(5) first subparagraph			**Large association** Art. 18(6) first subparagraph		
- Number of full-time equivalent staff:	0	-	fewer than 3	3	-	15	15,1	-	∞
- Total income:	€ 0	-	€ 50 000	€ 50 001	-	€ 1 000 000	€ 1 000 001	-	∞
- Total assets:	€ 0	-	€ 100 000	€ 100 001	-	€ 3 000 000	€ 3 000 001	-	∞

- **The 'repetition' criterion and effective threshold exceedance/non-exceedance date**

Associations are classified as 'small associations', 'medium-sized associations' and 'large associations' based on 3 size-related criteria – whose features and thresholds have already been presented above (see sections 3.1 and 3.2.1.) – plus a 'repetition' criterion. Changing an association's classification requires determining whether or not it has exceeded the threshold figures for at least 2 of the 3 criteria for 2 consecutive financial years. This requirement – for the association to exceed (or not exceed) the threshold figures for 2 consecutive financial years – is intended to prevent an immediate change in an association's classification if it only occasionally exceeds (or does not exceed) the threshold figures for at least 2 of the 3 criteria.

Before an association applies the new law for the first time, it must first determine whether it is classified as a small, medium-sized or large association so that it can determine which accounting regime it falls under. As part of this process, the association will need to determine which financial years it should use as a reference in order to establish which category it belongs to.

If the association already exists, assuming that the new law is applied for the first time for the financial year commencing on 1 January 2024 – i.e. the association's articles of association were brought into compliance at the end of 2023 – and by analogy with the legal accounting rules that apply to business enterprises (see Q&A CNC 19/019), the financial years that the association should use to determine which category it belongs to in FY 2024 are the 2022 and 2023 financial years.

The tables below present 3 hypothetical cases, along with their consequences in terms of the category that the association will be deemed to belong to.

  - **Association exceeding at least 2 of the 3 threshold figures for 2 consecutive financial years:**

Financial year	2022	2023	2024
Exceeding at least 2 of the 3 criteria specified in Article 18(4)? (small vs. medium-sized association)	Yes	Yes	not relevant (1)
Association category	n/a (2)	n/a (2)	Medium-sized association

(1) Whether the association exceeds or does not exceed at least 2 of the 3 criteria specified in Article 18(4) at the close of the 2024 financial year has no bearing on what category it is classified in at the end of that financial year.

(2) The category-based accounting regime did not apply to associations in the 2022 and 2023 financial years, i.e. before the new law on non-profit associations and foundations introduced the new accounting regime.

If, in the 2022 (N-2) and 2023 (N-1) financial years, the association exceeds the threshold figures for at least 2 of the 3 criteria specified in Article 18, paragraph 4, the association will be classified as a 'medium-sized association'. This classification will apply in the financial year following that in which at least 2 of the 3 size criteria were exceeded for the 2nd time running, i.e. the 2024 financial year (N).

Note that if a small association exceeds at least 2 of the 3 criteria that apply to large associations for 2 consecutive financial years, the small association will be immediately reclassified as a large association, without first being classified as a medium-sized association.

- **Association exceeding at least 2 of the 3 threshold figures in one financial year:**

Financial year	2022	2023	2024
Exceeding at least 2 of the 3 criteria specified in Article 18(4)? (small vs. medium-sized association)	No	Yes	not relevant (1)
Association category	n/a (2)	n/a (2)	Small association

(1) Whether the association exceeds or does not exceed at least 2 of the 3 criteria specified in Article 18(4) at the close of the 2024 financial year has no bearing on what category it is classified in at the end of that financial year.

(2) The category-based accounting regime did not apply to associations in the 2022 and 2023 financial years, i.e. before the new law on non-profit associations and foundations introduced the new accounting regime.

If, in the 2022 financial year (N-2), the association does not exceed the threshold figures for at least 2 of the 3 criteria specified in Article 18, paragraph 4, but does exceed at least 2 of these 3 threshold figures in the 2023 financial year (N-1), the association will be classified as a 'small association' (since the repetition criterion has not been satisfied). This classification will apply in the following financial year, i.e. the 2024 financial year (N).

- **Association not exceeding at least 2 of the 3 threshold figures for 2 consecutive financial years:**

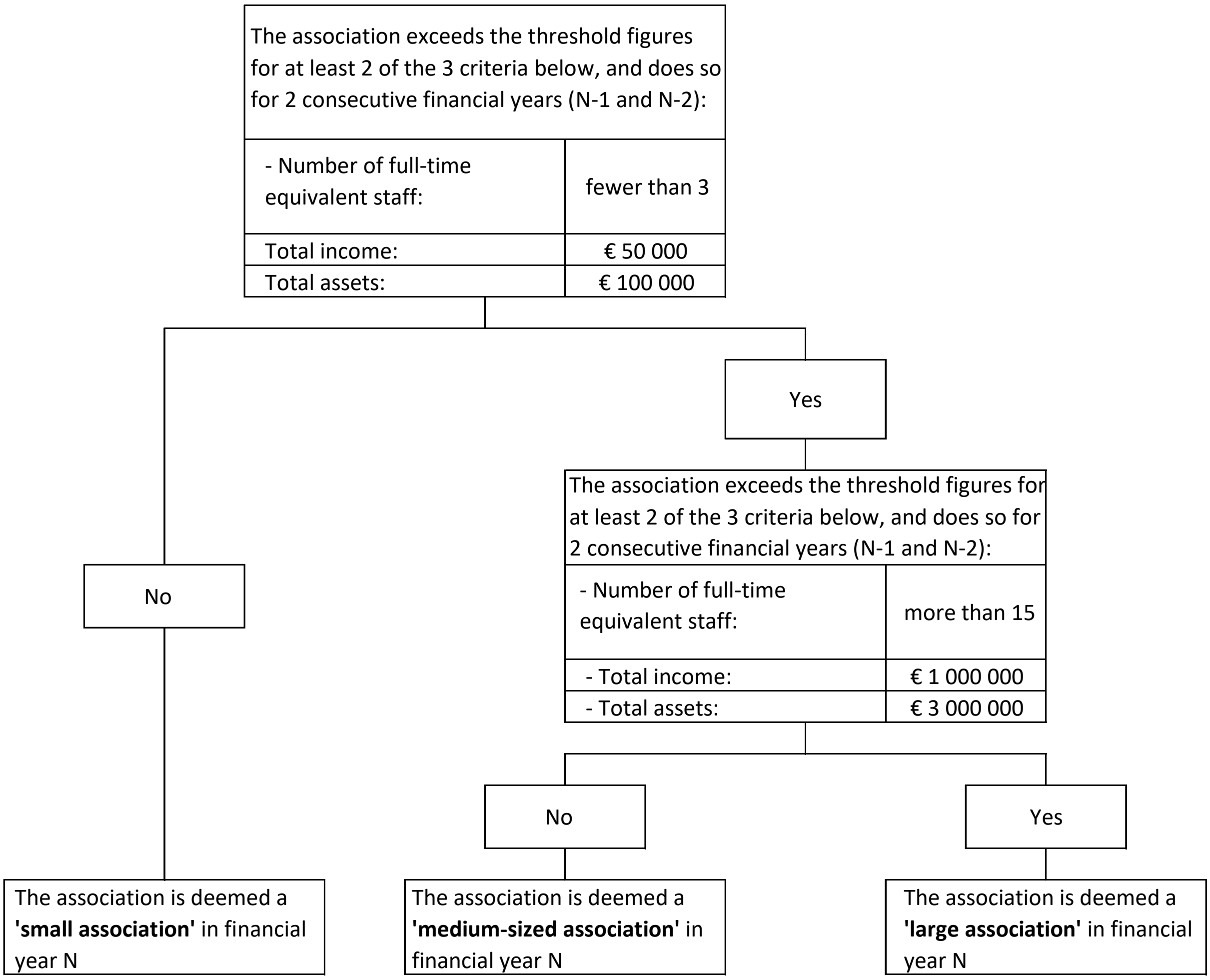
Financial year	2022	2023	2024
Exceeding at least 2 of the 3 criteria specified in Article 18(4)? (small vs. medium-sized association)	No	No	not relevant (1)
Association category	n/a (2)	n/a (2)	Small association

(1) Whether the association exceeds or does not exceed at least 2 of the 3 criteria specified in Article 18(4) at the close of the 2024 financial year has no bearing on what category it is classified in at the end of that financial year.

(2) The category-based accounting regime did not apply to associations in the 2022 and 2023 financial years, i.e. before the new law on non-profit associations and foundations introduced the new accounting regime.

If, in the 2022 (N-2) and 2023 (N-1) financial years, the association does not exceed the threshold figures for at least 2 of the 3 criteria specified in Article 18, paragraph 4, the association will be classified as a 'small association'. This classification will apply in the following financial year, i.e. the 2024 financial year (N).

- **Overview**



3.2.2. Classification of newly formed associations

- **No historical data and estimation in good faith**

Unlike existing associations, newly formed associations have no 2-year historical data (for financial years N-1 and N-2) that could be used to determine which category they belong to in the current financial year (N).

In such cases, and by analogy with the legal accounting rules that apply to business enterprises (see Q&A CNC 19/019), the association's directors must, at the start of the financial year, make projections, in good faith, to determine whether or not the association will exceed the threshold figures for at least 2 of the 3 size criteria at the end of its first financial year.

- **Projections indicating threshold figures will not be exceeded**

If, based on their good-faith projections, the directors of a newly formed association determine that, in its first financial year, their association will not exceed the threshold figures for at least 2 of the 3 size criteria specified in Article 18, paragraph 4, of the new law, the association must be classified as a 'small association'.

Financial year	2023 (N-1)	2024 (N)
Projected to **exceed** at least 2 of the 3 criteria specified in Article 18(4)? *(small vs. medium-sized association)*	n/a (*)	**No**
Association category:	n/a	**Small**

(*) The association was formed in FY N, and therefore did not exist in FY N-1.

- **Projections indicating threshold figures will be exceeded**

If, based on their good-faith projections, the directors of a newly formed association determine that their association will exceed the threshold figures for at least 2 of the 3 size criteria specified in Article 18, paragraph 4 of the new law, the association must be classified as a 'medium-sized association' (or as a 'large association' if it is projected that the association will also exceed the threshold figures for at least 2 of the 3 criteria specified in Article 18(5) of the new law).

Financial year	2023 (N-1)	2024 (N)
Projected to exceed at least 2 of the 3 criteria specified in Article 18(4)? *(small vs. medium-sized association)*	n/a (*)	**Yes**
Association category:	n/a	**Medium-sized** (or large)

(*) The association was formed in FY N, and therefore did not exist in FY N-1.

- **Short or long financial years, and annualisation of 'total income'**

If an association's first financial year is shorter or longer than 12 months, 'total income' should be annualised. This is done by multiplying the 'total income' for the financial year in question by a fraction, where the numerator is 12 and the denominator is the number of months in the financial year being considered.

Note that the same operation – i.e. annualisation of 'total income' – must also be performed whenever the closing date of the association's financial year is changed over the course of the association's lifetime, if such a change results in a financial year that is shorter than 12 months.

On the other hand, the other 2 size criteria – 'total assets' and 'number of full-time equivalent staff' – are never annualised. This is because (i) 'total assets' corresponds to an amount at a given date, i.e. the amount at the financial year's closing date, and (ii) 'number of full-time equivalent staff' is generally calculated as the average of the number of employees at the beginning and end of the financial year.

3.3. Small associations' accounting requirements

The Law of 7 August 2023 provides for a number of accounting requirements that small associations must comply with. Accordingly, small associations must:

- Use an accounting system suited to the nature and scope of their activities (see section 3.3.1);
- Use a simple method of accounting in which all of the association's receipts and payments are recorded (see section 3.3.2);
- Prepare a statement of receipts and payments, and annexed notes (i.e. the financial statements), plus a draft budget for the following financial year (FY N+1) (see section 3.3.3);
- At the very minimum, the annexed notes should specify (i) total cash on hand, (ii) total cash on bank deposit, (iii) the number of association members, specified as a range of membership numbers, and (iv) the percentage of the association's funds that have been transferred to other European Union and European Economic Area countries, and to countries outside the European Union and European Economic Area (see section 3.3.4);
- Submit a statement of receipts and payments, and annexed notes (i.e. the financial statements), plus a draft budget for the following financial year (financial year N+1), to the general meeting for approval, within 6 months of the financial year's closing date (financial year N) (see section 3.3.5);
- File with the RCS and publish the statement of receipts and payments, and annexed notes (i.e. the financial statements), for financial year N – filing the draft budget for the following financial year (N+1) with the RCS is not required – within one month of their approval by the general meeting (see section 3.3.6);
- Keep financial statements (statements of receipts and payments, annexed notes) and other relevant information (e.g. budgets) – which should be classified in a systematic manner, regardless of the form in which they are kept – for 10 years as of the closing date of the financial year to which they pertain (see section 3.3.7).

3.3.1. Use an accounting system suited to the nature and scope of the association's activities

Under the new law, associations are required to use an accounting system that is suited to the nature and scope of their activities. Where small associations are concerned, the law provides that they are only required to use a cash accounting system (see section 3.3.2), as opposed to a double-entry accrual accounting system.

Even though cash accounting is a simpler form of accounting, it is important for small associations to implement processes for filing all invoices and other supporting documents, and for approving and tracking invoices to pay.

Regardless of the medium on which they are kept, invoices and other supporting documents must be classified in a systematic manner (see section 3.3.7).

3.3.2. Use a simple method of accounting in which all of the association's receipts and payments are recorded

Under the new law, a 'simplified form of accounting' is defined as a form of accounting that enables the association to record all of its receipts and payments.

Every financial year, the association must therefore prepare a statement of receipts and payments. Note that receipts and payments in connection with the association's operating activities, and receipts and payments in connection with the association's investing activities (e.g. purchases/sales of machinery or equipment) and financing activities (e.g. granting/repayment of loans), should be presented separately.

Ultimately, it should be possible to reconcile the cash position (i.e. cash on hand and cash on bank deposit) at the beginning of the financial year and the cash position at the end of the financial year. This can be done by adding/subtracting the cash surpluses or deficits resulting from the association's operating activities, and from its investing and financing activities, to/from the cash position at the beginning of the financial year.

Reconciliation of changes in cash position over the course of the financial year	**20XX financial year in euro**
. Cash on hand at the start of the financial year . Cash on bank deposit at the start of the financial year	
= Cash position at the start of the financial year	
+/- Cash surplus / (deficit) from operations +/- Cash surplus / (deficit) from investing +/- Cash surplus / (deficit) from financing	
= Cash position at the end of the financial year	
. Cash on hand at the end of the financial year . Cash on bank deposit at the end of the financial year	

Note also that, with this simple method of accounting, transactions may be recorded in a journal (see example below), which may be in hard-copy form or electronic form (e.g. MS Excel spreadsheet). Accounting software designed to support cash accounting can also be used.

Journal

of the non-profit association: ____________________

for the financial year ending: DD/MM/YYYY

Date	**Description**	**Payments**	**Receipts**	**Activity**	**Supporting document**
02/01/2024	Membership dues (100 * EUR 25.00)		€ 2 500.00	Operations	**RO1**
05/01/2024	Bank loan		€ 15 000.00	Financing	**RF1**
10/01/2024	Purchase of a machine tool	€ 12 000.00		Investing	**DI1**
15/01/2024	Liability insurance premium	€ 2 500.00		Operations	**DO1**
18/01/2024	Transport costs	€ 1 500.00		Operations	**DO2**
(...)	(...)	(...)	(...)	(...)	(...)
(...)	(...)	(...)	(...)	(...)	(...)
(...)	(...)	(...)	(...)	(...)	(...)
	Sub-total:	**€ 16 000.00**	**€ 17 500.00**		
	Cash deficit from operations:	-€ 1 500.00			
	Cash surplus from financing:	€ 15 000.00			
	Cash deficit from investing:	-€ 12 000.00			
	Total:	**€ 17 500.00**	**€ 17 500.00**		

3.3.3. Prepare a statement of receipts and payments, and annexed notes (i.e. the financial statements), plus a draft budget for the following financial year (FY N+1)

Pursuant to Article 18, paragraph 4, second subparagraph '*small associations must use at least a simple method of accounting in which **all** of their receipts and payments are recorded*'.

To draw up a statement of receipts and payments reflecting all of the association's receipts and payments for a given financial year, it is important to ensure that the statement reflects not only the receipts and payments in connection with the association's operating activities, but also those in connection with its financing activities (e.g. bank loans) and its investing activities (e.g. purchases of equipment with a lifespan of more than one year).

Accordingly, a 'statement of receipts and payments' template is proposed below; small associations can edit the account headings to suit their own activities (see example in section 4). As explained above, this statement of receipts and payments comprises 3 sections, headed (i) operating activities, (ii) investing activities and (iii) financing activities. The sum of the cash surpluses/deficits resulting from these 3 activity lines corresponds to the difference between the cash position at the end of the financial year and the cash position at the beginning of the financial year; an overall cash surplus would increase the cash position (increase in cash on hand and cash on bank deposit), while an overall cash deficit would reduce the cash position (reduction in cash on hand and cash on bank deposit).

Statement of receipts and payments

of the non-profit association: ____________________

for the financial year ending: DD/MM/YYYY

Operating activities			
Payments	**20XX financial year in euro**	**Receipts**	**20XX financial year in euro**
Staff expenses		Current receipts	
Running costs		Event-related receipts	
Event-related costs		Operating grants	
Transport costs		Membership dues	
Meeting-related costs		Donations	
Banking costs and interest paid		Interest received	
Other payments		Other receipts	
Sub-total:		**Sub-total:**	*
Cash surplus from operations:		**Cash deficit from operations:**	
Total:		**Total:**	
Investing activities			
Payments	**20XX financial year in euro**	**Receipts**	**20XX financial year in euro**
Investment-related costs**		Sales of investment assets **	
Sub-total:		Sub-total:	
Cash surplus from investing:		**Cash deficit from investing:**	
Total:		**Total:**	
Financing activities			
Payments	**20XX financial year in euro**	**Receipts**	**20XX financial year in euro**
Bank-loan repayments		Bank loan	
Repayments to other sources of financing		Investment grants	
		Other sources of financing	
Sub-total:		Sub-total:	
Cash surplus from financing:		**Cash deficit from financing:**	
Total:		**Total:**	
Overall cash surplus:		**Overall cash deficit:**	

*This is the figure that should be specified for the 'Total income' criterion used to determine the category in which the association is classified.

**For instance, furnishings, materials and equipment.

Where the annexed notes are concerned, the minimum requirements in terms of contents are described in the following section (see section 3.3.4).

Lastly, regarding the draft budget for the following financial year, this may be prepared using the same template as for the annual statement of receipts and payments (see above), the only difference being that in the annual statement of receipts and payments, operating, investing and financing activities are recorded *ex post* (i.e. based on actual data), whereas in the draft budget, receipts and payments are estimates recorded *ex ante*, i.e. before they are actually realised (projected activity).

3.3.4. Contents of the annexed notes

Article 18, paragraph 4, third subparagraph of the new law defines the minimum requirements for the contents of the annexed notes that must be prepared by small associations. It stipulates that the notes should include the following information:

- total cash on hand;
- total cash on bank deposit;
- the number of association members, specified as a range of membership numbers;
- the percentage of the association's funds that have been transferred to other European Union and European Economic Area countries, and to countries outside the European Union and European Economic Area.

Since small associations are not required to produce a balance sheet, they must specify all of their liquid holdings – i.e. total cash on hand and/or total cash deposited with a credit institution – in notes to the financial statements. In that way, the small association's liquidity position can be assessed, in the absence of the possibility of assessing its solvency.

Regarding the information on the percentage of funds transferred abroad, this should only be presented in the notes if the amounts are significant. Thus, for illustrative purposes:

- an association operating as an NGO that transfers a significant proportion of the donations it receives to associations based abroad must mention these transfers of funds as percentages of the total amount of donations received;
- an association that transfers a significant proportion of its funds abroad as payments for expenses must mention these transfers of funds as percentages of its total expenses;
- note that it is important to distinguish between transfers abroad for the benefit of third parties – e.g. service providers, suppliers, member associations or target associations – and the association's internal transfers , i.e. transfers from a Luxembourg bank account held by the association to another bank account held by the association, but based abroad;
- if the amounts transferred abroad are small amounts, they do not have to be mentioned in the notes, unless they are regular transfers of small amounts, whose aggregate amount turns out to be significant for the association;
- note that transfers of funds abroad for the purpose of registering athletes for amateur tournaments taking place abroad, for example, do not generally have to be mentioned in the notes, since such transfers are usually not significant, whereas registering elite athletes for a professional competition will probably entail significant costs and, in that case, should be mentioned in the notes.

3.3.5. Submit the financial statements to the general meeting for approval within 6 months of the financial year's closing date

Article 18(2)(1) of the new law stipulates that '*every year, and within no more than 6 months of the financial year's closing date, the board of directors shall submit to the general meeting, for its approval, the annual financial statements for the last financial year, prepared in compliance with this article, as well as the draft budget for the following financial year*'.

As is the case for business enterprises, associations must now submit their financial statements, and draft budget, to the general meeting, for its approval, within 6 months of the financial year's closing date. Note that, for small associations, the term 'financial statements' refers to the 'statement of receipts and payments' and the 'annexed notes'.

3.3.6. File the financial statements with the Trade and Companies Register (RCS), and publish them, within one month of their approval

Article 18(2)(2) of the new law stipulates that '*within one month of the general meeting approving the financial statements specified in paragraphs 3 to 8, the board of directors shall file and publish said financial statements, in compliance with Article 22(3)*'.

As is the case for business enterprises, associations must now file their financial statements with the RCS within one month of their approval by the general meeting, that is to say, within no more than 7 months of the financial year's closing date.

Note that, for small associations, the financial statements include the statement of receipts and payments, and the annexed notes. The financial statements do not include the draft budget for the following financial year, as this is an in-house document and, consequently, does not have to be filed with the RCS or published.

Lastly, and again as is the case for business enterprises, small associations' financial statements are published by way of a reference to their RCS filing[2] (Art. 22(3) of the new law) and can be viewed on the RCS website. However, they are not published in full in the Electronic Compendium of Companies and Associations (*Recueil électronique des sociétés et associations* - RESA).

3.3.7. Keep financial statements for 10 years

Article 18(7) of the new law stipulates that '*the association shall keep the documents and information referred to in paragraphs 1 to 6, along with the underlying supporting documents, for 10 years as of the closing date of the financial year to which they pertain, regardless of the form in which they are kept, and they shall be classified in a systematic manner*'.

The new law introduces a requirement for small associations to keep financial statements (statements of receipts and payments, and annexed notes), draft budgets and underlying supporting documents (e.g. invoices, agreements, bank statements, etc.) for 10 years, ensuring that they are classified in a systematic manner.

[2] Note that the reference to the RCS filing will be generated automatically when the financial statements are filed, so there is no need for the association to submit a document providing that information.

4. Example

The non-profit association '*No Go Lux, asbl*' was formed by Luxembourg City-based No Go players on 1 July 2024, for the purpose of setting up and managing 2 No Go teams. No Go[3] is the latest team sport to have emerged in recent times and is proving increasingly popular around the world. In Luxembourg, the number of players has increased over the last few years, and several clubs have been formed.

The directors of the new association believed, in good faith, that their association would not exceed at least 2 of the 3 criteria specified in Article 18, paragraph 4, first subparagraph of the new law on non-profit associations and foundations. As such, for its first financial year, which coincided with the No Go season and ran from 1 July 2024 to 30 June 2025, the association was classified as a 'small association'.

The club had planned to take part in the new, national amateur No Go championships.

In its first year of operation, 50 amateur players joined the club and paid EUR 30 each in membership dues.

The club is run by volunteers, except for 2 trainers, one of whom is employed for 4 hours a week and the other for 2 hours a week. Both trainers are paid based on the minimum wage for qualified workers.

The association had planned to host a No Go tournament every year over the Pentecost weekend, and the first tournament was held at the beginning of June 2025.

For the national championships that the club's 2 teams took part in, every other match was a home match, played on a field provided free of charge by the Municipality. The other matches were away matches. For the home matches, the club ran a refreshments stand, manned by volunteers. For the away matches, the club hired a coach to transport players to and from opposing teams' grounds.

To finance its initial investments – i.e. No Go-specific materials and equipment –, the association contracted a EUR 10,000 bank loan. The interest rate on the loan is 5 % and the loan maturity date is 30 June 2034. In all, the club invested EUR 9,250 in No Go materials and equipment whose useful lifespan is more than one year ('assets'). The EUR 750 cash surplus – i.e. the difference between the loan that the association was granted and the amount that it actually invested – increased the association's overall cash position.

The directors took out third-party liability insurance to cover third-party claims for damages that the association could be held liable for.

To finance its operating activities, the association relied on donations and grants, which contributed significantly to keeping the budget in balance. As a further source of receipts, the association struck sponsorship deals with several local businesses, granting them the use of advertising billboards located along the perimeter of the No Go field. Lastly, pending the opening of a fan club shop, the association started selling team jerseys to supporters.

Moreover, the club's cash deposits were placed in a savings account to generate interest. For its bank account, the association is also charged standard fees (e.g. fixed fees, wire transfer fees and interest on overdrafts).

[3] No Go is a fictional sport, invented for illustrative purposes only.

Ultimately, at the close of its 2024-2025 financial year, *No Go Lux, asbl* had an operating surplus of EUR 685 (financial year's result) and a total cash surplus of EUR 1,435 (increase in total cash in the financial year).

In summary, at the close of the financial year, the association's statement of receipts and payments, and annexed notes, were as follows:

Statement of receipts and payments

of the non-profit association: **No Go Lux, asbl**

for the financial year ending: **30/06/2025**

Operating activities			
Payments	**2024/2025 financial year in euro**	**Receipts**	**2024/2025 financial year in euro**
Sports equipment (uniforms)	1 850.00	Membership dues	1 500.00
Coaches' salaries	5 400.00	Donations	3 000.00
Transport costs (coach hire)	1 750.00	State subsidies	2 000.00
Referee costs	2 500.00	Sponsorship (advertising billboards)	1 750.00
Purchases for refreshment stand	1 250.00	Receipts from refreshment stand	3 350.00
Costs in connection with annual tournament	1 000.00	Receipts from annual tournament	3 500.00
Registrations for tournaments abroad	500.00	Receipts from jersey sales	550.00
Banking costs and interest on overdrafts	150.00	Interest received	160.00
Interest on loans	500.00	Other receipts	150.00
Liability insurance	300.00		
Other payments	75.00		
Sub-total:	15 275.00	Sub-total:	15 960.00
Cash surplus from operations [I]:	**685.00**	**Cash deficit from operations:**	**0.00**
Total:	**15 960.00**	**Total:**	**15 960.00**
Investing activities			
Payments	**2024/2025 financial year in euro**	**Receipts**	**2024/2025 financial year in euro**
Investment-related costs	9 250.00	Sales of investment assets	0.00
Sub-total:	9 250.00	Sub-total:	0.00
Cash surplus from investing:	**0.00**	**Cash deficit from investing [II]:**	**9 250.00**
Total:	**9 250.00**	**Total:**	**9 250.00**
Financing activities			
Payments	**2024/2025 financial year in euro**	**Receipts**	**2024/2025 financial year in euro**
Bank-loan repayments	0.00	Bank loan	10 000.00
Repayments to other sources of financing	0.00	Investment grants	0.00
		Other sources of financing	0.00
Sub-total:	0.00	Sub-total:	10 000.00
Cash surplus from financing [III]:	**10 000.00**	**Cash deficit from financing:**	**0.00**
Total:	**10 000.00**	**Total:**	**10 000.00**
Overall cash surplus [I] - [II] + [III] :	**1 435.00**	**Overall cash deficit:**	**0.00**

Annex
Notes for the financial year ending 30 June 2025

1°)	Total cash on hand	€ 235.00
2°)	Total cash on bank deposit	€ 1 200.00
	Total cash position	€ 1 435.00

3°)

	Number of association members
☐	2 - 9 members
☐	10 - 49 members
■	50 - 149 members
☐	150 - 999 members
☐	more than 1 000 members

4°) Transfers of funds abroad

Transfers abroad	**EU & EEA**	**outside EU & EEA**
0% - 5%	■	■
5% - 25%	☐	☐
25% - 50%	☐	☐
> 50%	☐	☐

N.B.: The EUR 500 paid in connection with registering to take part in an amateur tournament held in a town near the border is a minor expense, and does not need to be included in the section of the notes on transfers of funds abroad.

*