

Important changes to Annual Reporting for Charities

Recently, two Buddhist Council executive committee members attended two workshops on the new reporting standards that apply to Charities for financial years starting on or after 1 Apr 2015. I'm sure you have heard of these changes, but here are some pointers to things that you need to be thinking about now as the financial year begins.

Your organisation will need to report according to these standards for the next financial year.

Details of the requirements are available from the Charities website here: <https://charities.govt.nz/im-a-registered-charity/new-reporting-standards/>

The new reporting requirement has three main parts:

- Non-financial performance
- Financial performance
- Supporting notes

Non-Financial Performance

The particularly new part of the annual reporting requirement is the non-financial performance. You probably already do this for your report for your AGM, but this is now formalised a bit more.

This must be reported under

- Outcomes – qualitative statements about how the purposes of the organisation have been delivered
- Outputs – measurable activities that have been done towards delivering the outcomes

You can report on outcomes on the basis of looking back over the year and describing how the organisation has fulfilled its purposes. The purposes are what is outlined in your constitution or in your strategic plan.

You need to decide what Outputs you wish to report on (not just for year 1, but on an ongoing basis), and how you will measure those, and then ensure that you are keeping records.

For example:

- Teachings
- Ceremonies
- Other regular program events

- Sangha supported by (and supporting) the centre
- Special events
- Consultations
- Children's programs
- Mental health programs
- Aged care programs
- Community and environmental programs
- Hours that the centre is open to the public

Measures could be number of events; hours; attendances etc.

Please take this opportunity to think about what would be appropriate outputs that reflect your organisations activities and ways that these can be measured?

You need to be able to maintain consistent records without this being onerous.

The purpose is to be able to tell a good story.

Financial Performance

There are four 'tiers' that determine how you must report your financial performance. This is based on annual expenditure.

Tier 4 – your annual expenditure is less than \$125,000 and you wish to report on a simplified cash basis: <https://charities.govt.nz/im-a-registered-charity/new-reporting-standards/tier-4/>

Tier 3 – your annual expenditure is less than \$2,000,000 or you wish to report on an accrual basis: <https://charities.govt.nz/im-a-registered-charity/new-reporting-standards/tier-3/>

Tier 2 & 1 are for organisations with more than \$2,000,000 annual expenditure. If you fall into this bracket then please consult your accountant.

These reporting standards are legal obligations. As a charitable organisation you must comply with the standard. Charities New Zealand has indicated that they will be taking a very helpful approach in the first year or two of the new regulations, but eventually non-compliance will result in being struck off the Charities register.

If you report accurately using the spreadsheet templates provided then you will meet the reporting requirement. While you do not have to use these templates we recommend that you do so.

The following are some key points picked up from the presentations at the workshops

There are a few requirements that you need to consider. How will you take account of these in your financial records?

1. You must decide which Tier you will report under. If your annual expenses for two successive years is greater than \$125,000 (excluding GST) then you will have to report under Tier 3. If your expenditure is less than this then you can choose which Tier to use.
2. Under Tier 4 reporting everything is reported on a Cash basis. Ie. When money is received in or paid out from the bank or petty cash. In this case assets (resources) are valued at cost and no depreciation is applied. You must provide a statement of money received and money spent, together with a statement of what you own and what you owe at the end of the financial year.
3. Under Tier 3 reporting you must report on an accrual basis. This requires a full Income and Expenditure statement (Profit and Loss Account) and a Balance Sheet prepared on an accrual basis. In addition you will be required to provide a Cash-flow statement for the year.
4. Income and expenses must be reported under certain 'Mandatory' categories. You can add to these, but the general intention is to be consistent with the use of the mandatory categories.
5. Income from 'members' is to be recognised separately from income from 'non-members'. Members here is not well-defined, especially in relation to Charitable Trusts. What they want is for you to provide a picture of how much the organisation is 'self-funded' and how much comes from other funding organisations and the general public. You will need to decide how you define 'members' and record all funds received as either 'from members' or 'from non-members' accordingly.
6. Under Tier 3, where grants are received or funds provided for special purposes then expenditure must be accounted for against these funds in the accounts. When first received the grant is recognised as a liability and this reduces as the funds are spent for the designated purpose. Under Tier 4 reporting, you will also need to keep track of how you spend grants, but any outstanding portion at year end must be reported in the notes.
7. If your expenditure exceeds \$500,000 per year you are legally required to have an Audit or Financial Review performed by an auditor on the NZ Register. If you are below this level you may choose (or it may be in your constitution) to have an audit or financial review performed. This may be done by any suitably qualified accountant (or retired accountant). Some funding agencies may require you to have an audit done.

Supporting Notes

The supporting notes is where you provide more detail of what makes up the entries in the main reports. If you use the template then you enter your details here and the template will update the main part of the report accordingly.

You must also include statements of financial policies used, such as whether you are reporting on a Cash or Accrual basis and whether GST is included or not.

Related Party Transactions

There is a requirement to declare all 'Related party transactions'. These are any transactions made to or from members of the governing body or other decision-making officers, their immediate families or any organisations that they have a significant stake in. Related party transactions include:

- donations received
- payments made for services
- value of services provided for no or for a discounted charge either by or for a related party
- loans received or provided

It does not mean you have to declare reimbursement for expenses incurred on behalf of the organisation.

Important Resources

- [Tier 3 reporting requirements and templates](#)
- [Tier 4 reporting requirements and templates](#)
- Here is a great website with resources to help you run your organisation: <http://www.community.net.nz/>
- Here is a website to help you assess your organisation and how well established it is to meet its purposes: <http://www.nznavigator.org.nz>