



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

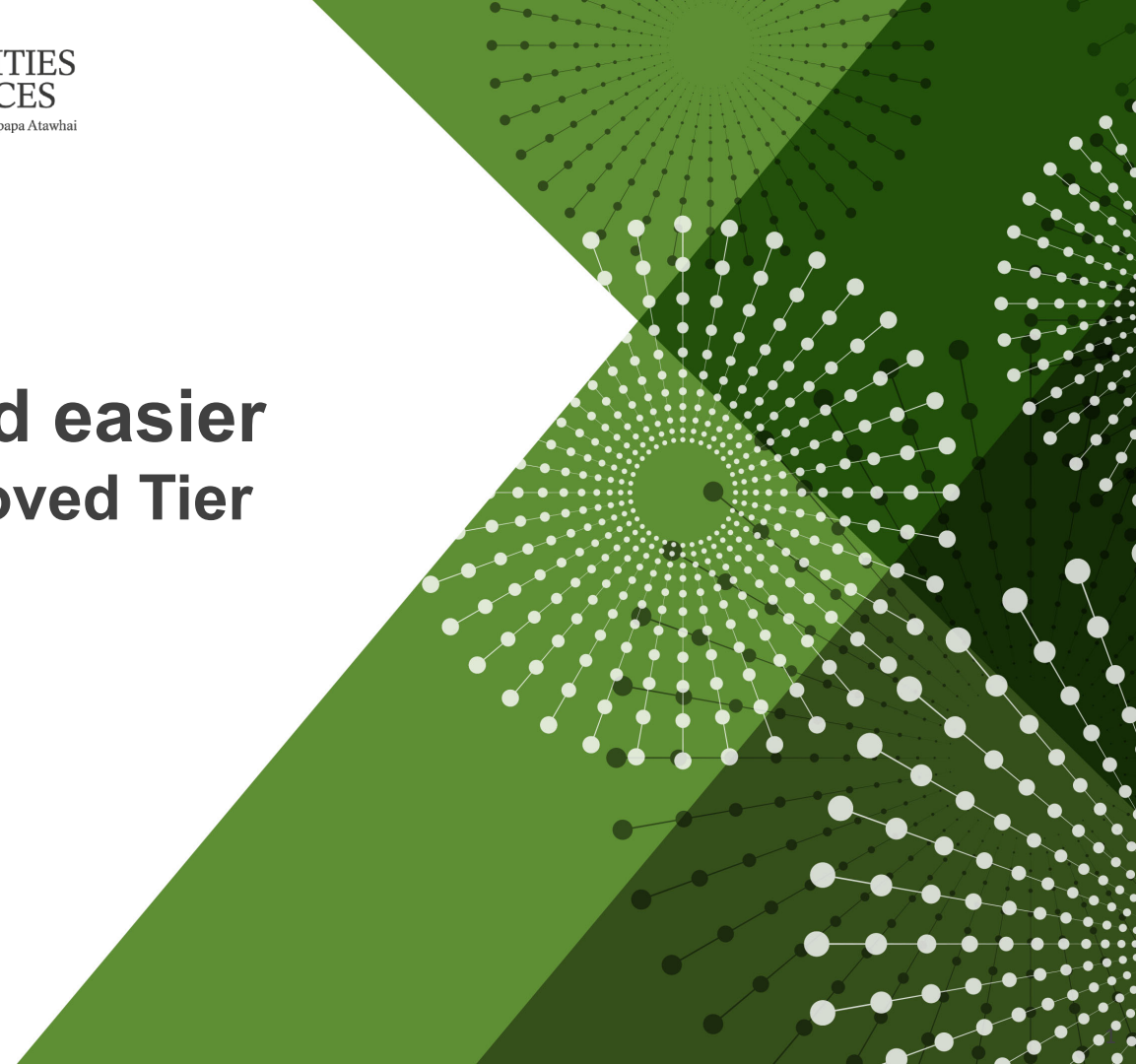
CHARITIES
SERVICES

Ngā Ratonga Kaupapa Atawhai

Making doing good easier

Proposal for an improved Tier 4 Standard

August 2022



Jordan Hoerara
Capability Advisor
Charities Services

Your XRB presenters today:

- Jamie Cattell – Project Manager, Accounting Standards
(jamie.cattell@xrb.govt.nz)
- Carly Berry – Project Manager, Accounting Standards
(carly.berry@xrb.govt.nz)

Logistics



Can you hear us?

- Make sure your computer's sound is un-muted.
- Sound cutting out? Check your internet connection.

Recording

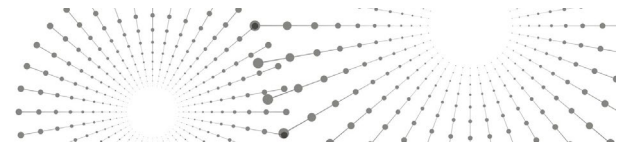
- This webinar is being recorded - you will receive a link to the recording via email.

Q&A

- Type your questions in the Q&A chat box.
- If your question doesn't get answered during the webinar, we have your email and will get back to you

Connectivity issues

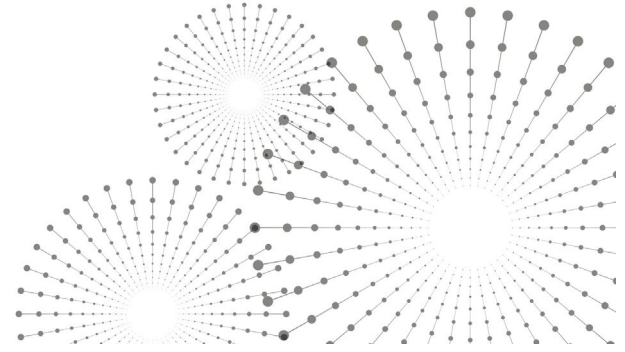
- In the event that we experience connectivity issues and are unable to present, we will contact you with further information.



Our Vision



New Zealand prospers through effective decision making informed by high-quality, credible, integrated reporting.



Financial Reporting Framework

Two key questions

Who has to report?

Set in legislation



Te Tari Taiwhenua
Internal Affairs

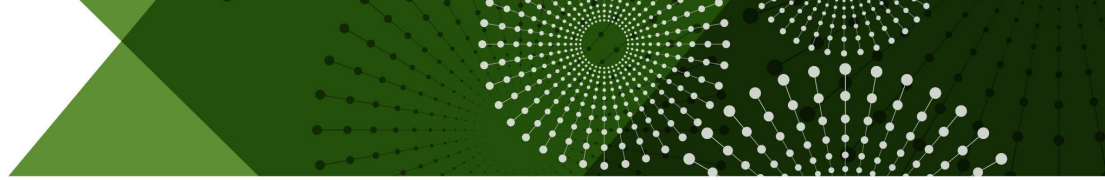
What information gets reported?

Set in standards



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

PBE Reporting Tiers



Tier	Criteria	Standards
1	<ul style="list-style-type: none">• “Public Accountability” or• Total expenses >\$30m	Full PBE Standards – Based on IPSAS
2	<ul style="list-style-type: none">• Total expenses ≤\$30m	PBE Standards with reduced disclosure requirements (RDR)
3	<ul style="list-style-type: none">• Total expenses ≤\$2m	Simple Format Reporting – Accrual
4	<ul style="list-style-type: none">• Total operating payments <\$140k (where law allows)	Simple Format Reporting – Cash

PBE Reporting Framework



Total Operating Payments

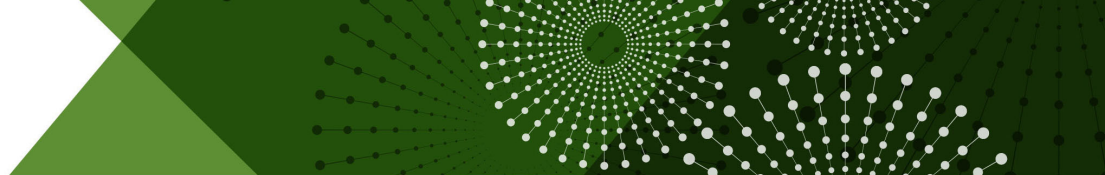
Total amount of any payment, other than a capital payment, made by the entity during the year

- Includes grant payments and income tax payments

Capital payment

A payment made to purchase a resource with an expected life longer than 12 months to be used by the entity to support its activities or to provide services or products

Tier 3 and Tier 4



- Simplified reporting for smaller not-for-profits with expenses less than \$2m
- 95% of registered charities use either Tier 3 or Tier 4

Development approach

- Single standard for each Tier
- Less technical language
- Simple requirements
- Focus on common transactions

Accompanying Resources

- Template performance reports
- Guidance notes

The 2020 review

In September 2020 we asked for your feedback on the Tier 4 Standard

What we heard

Tier 4 works well for many people but there are many who still find it difficult.

What we're doing

- Completely rewritten Tier 4 Standard:
 - Shorter
 - Fewer requirements
 - Plain English
 - Reduced requirements for “small” Tier 4 entities
- Released a new reporting template
 - 2 – 3 Pages

New Tier 4 Standard

- Single standard
- Cash based
- Simple requirements

Non-financial information
about activities and objectives

Statement of service performance

Cash received and cash paid
during the year

Statement of cash received and
cash paid

Information about:

- how the entity has done its accounting
 - significant assets and liabilities
 - other key items
-

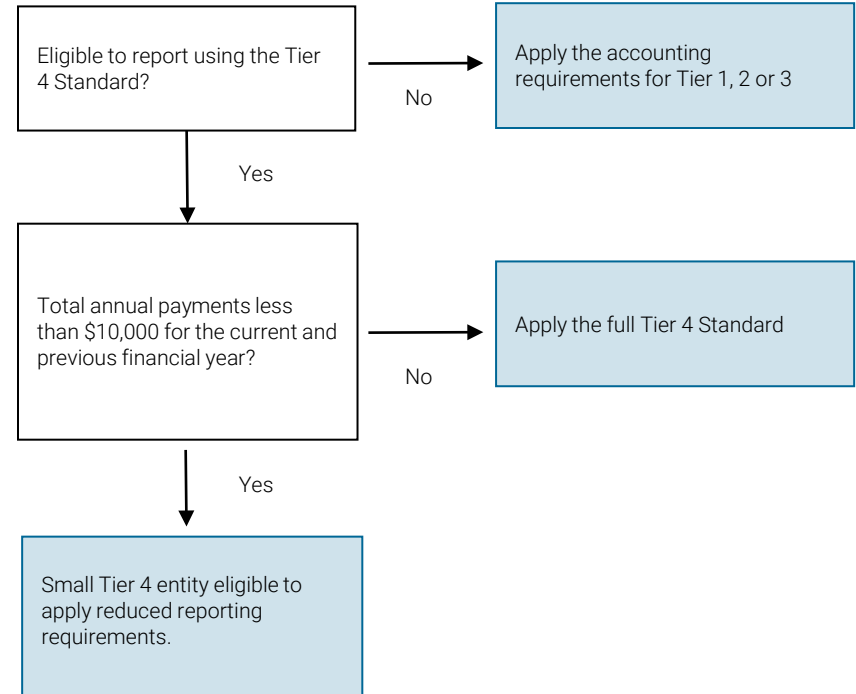
Accounting policies
and notes

Small Tier 4 entities

Small Tier 4 entities won't have to report:

- Quantities for their activities
- Values for their assets
- Grants with restrictions
- Events after year end

What is a "small" Tier 4 entity?



Tier 4 Standard on a page

Entity Information	
Service performance information	
What the entity is aiming to achieve	
What significant activities it has done in the year	
Quantify the significant activities	☒
Statement of cash paid and cash received (based on required categories)	
Significant assets	
Description of significant assets	
Value of significant assets	☒
Significant liabilities	
Description of significant liabilities	
Value of significant liabilities	
Grants or donations received with expectations over use	☒
Information about related party transactions	
Events after the year end	☒
Additional information	☒
Information about significant errors corrected	

Statement of Service performance

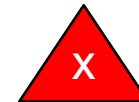
Intended to provide information about **why** the entity exists, **what it hopes to achieve**, and **what it has done** during the year toward achieving its objectives

Statement of Service Performance

Medium to long term
objectives

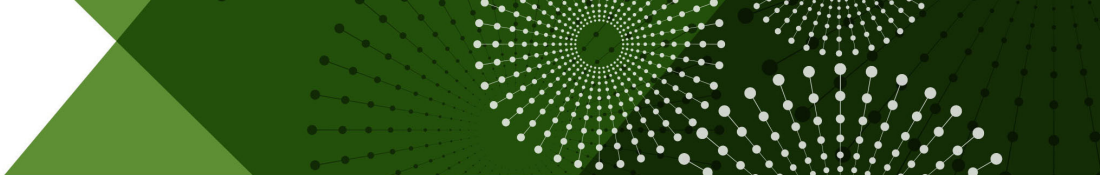
Activities undertaken
during the year

Quantity of activities where
possible



Small Tier 4
entities exempt

Statement of Cash Received and Cash Paid



Operating activities

	Current year	Last year
	\$	\$
Opening balance in bank account(s) and cash on hand	-	-
Plus cash received from operating activities		
Donations, koha, bequests and other fundraising	-	-
Grants received	-	-
Funding from service delivery grants/contracts	-	-
Membership fees and subscriptions	-	-
Sale of goods or services (commercial activities)	-	-
Interest or dividends received	-	-
Other cash received	-	-
Total cash received from operating activities	-	-
Less cash paid for operating activities		
Fundraising costs	-	-
Employee remuneration	-	-
Volunteer and other employee costs	-	-
Costs related to sale of goods or services (commercial activities)	-	-
Other costs related to delivery of entity objectives	-	-
Grants and donations paid	-	-
Other cash paid	-	-
Total cash paid for operating activities	-	-
GST paid or refunded in the financial year	-	-
Cash surplus or (deficit) from operating activities	-	-



You do not have to use all lines in the template, only the ones that apply



Cash Received



Cash Paid

Statement of Cash Received and Cash Paid

Required categories

Proposed cash received categories	Proposed cash paid categories
Donations, koha, bequests, and other fundraising activities	Fundraising costs
Grants received (Excluding service delivery grants/contracts)	Employee remuneration
Funding from service delivery grants/contracts	Volunteer and other employee costs
Sale of goods or services (commercial activities)	Costs related to the sale of goods or services (commercial activities)
Membership fees or subscriptions	Other costs related to the delivery of entity objectives
Interest or dividends received	Grants and donations paid
Other cash received	Other cash paid

You can:



Relabel the categories

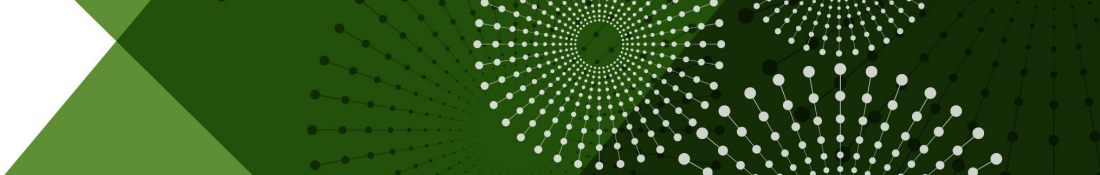


Provide more detail in the notes



Ignore categories which don't apply

Notes - Assets

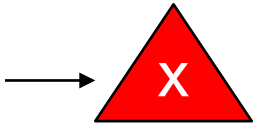


Tells readers about any significant assets your charity owns

Note 6 - Significant assets

Description of asset	Current year	Last year
Significant amounts owed to the entity by external parties	-	-
Land and buildings	-	-
Investments (shares, bonds, units in managed funds)	-	-
Other significant assets	-	-

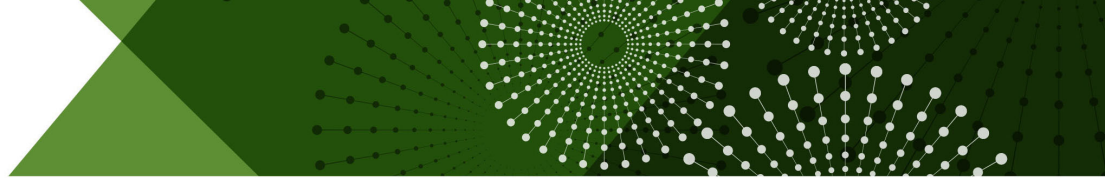
Where an estimate of the asset value is provided, disclose the basis for the estimate.



Small Tier 4 entities don't have to give this information

A Statement of Resources and Commitments is no longer required.


Notes - Liabilities



Tells readers about any significant amounts your charity owes to external parties

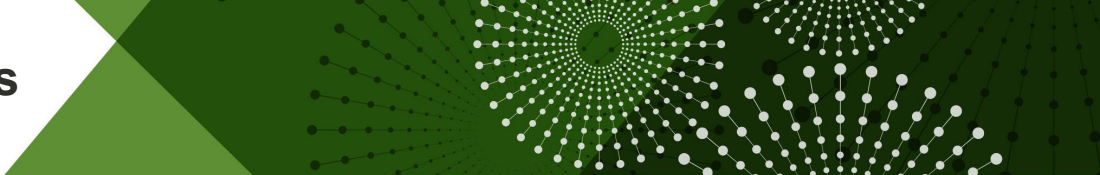
Note 7 - Significant liabilities

Description of liability	Current year	Last year
Loans and other borrowings	-	-
Other significant amounts owed to external parties	-	-
Money held on behalf of others	-	-

 No exemptions for small Tier 4 entities

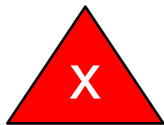
A Statement of Resources and Commitments is no longer required.

Notes - grants with expectations



Tells readers if your charity has received funds that can only be used in specific ways

Unused Donations, Grants, Bequests and Pledges with Expectations over Use				Unspent amount	
Description	Purpose and nature of the condition(s)	Date condition(s) expected to be met	Original Amount \$	Current year \$	Last year \$



Small Tier 4 entities do not have to do this

Related party transactions

Tells readers important information about your charity's related party relationships and transactions

A **related party transaction** is a transfer of money, goods or services between the entity and a related party.


The Tier 4 Standard contains guidance on what a **related party** is, as well as examples of related party transactions.

Note 9 - Related Party Transactions

Description of related party relationship	Description of the Transactions (whether in cash or amount in kind)	Value of Transactions		Amount Outstanding	
		Current Year \$	Last Year \$	Current Year \$	Last Year \$

OR (Delete one not applicable to the entity)

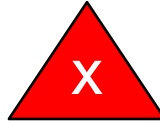
There were no transactions involving related parties during the financial year. (Last year - Nil)

 No exemptions for small Tier 4 entities

Other information

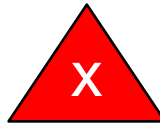
Tells readers about any significant events after the end of the financial year, any errors that have been corrected, and any other important additional information

- Events after year end



Small Tier 4 entities are exempt

- Correction of errors
 - Fixed in the current year
 - Describe



Small Tier 4 entities are exempt

- Additional information

Next Steps

Submit via
www.xrb.govt.nz

Also on our website:

- The full consultation documents
- At a Glance documents
- Exposure drafts

Consultation closes 30 September 2022



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Follow



[linkedin.com/
company/
external-reporting-board](https://www.linkedin.com/company/external-reporting-board)

Subscribe

<https://www.xrb.govt.nz/sign-up/>

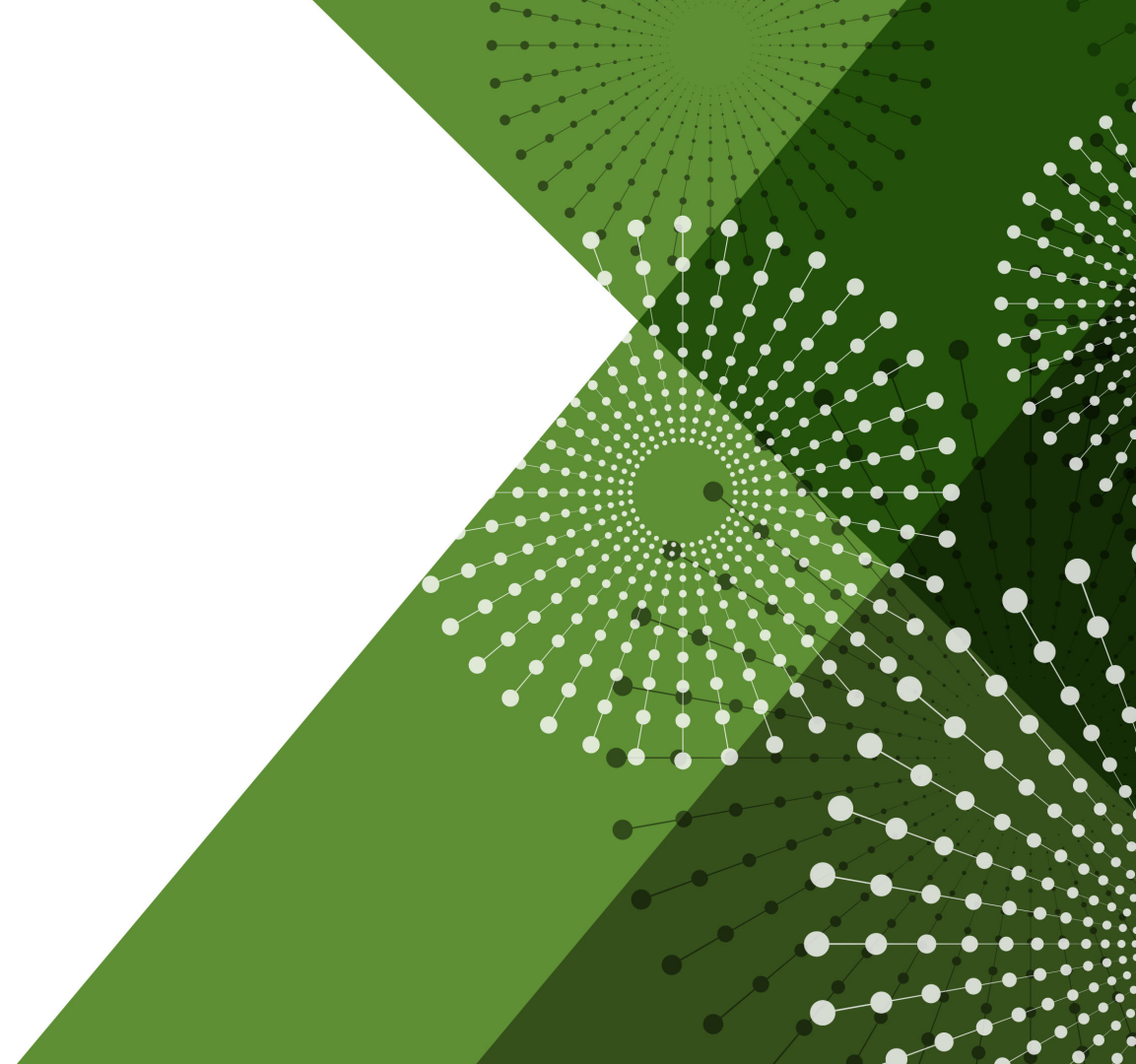
Contact
us

accounting@xrb.govt.nz



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Questions?





Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

CHARITIES
SERVICES

Ngā Ratonga Kaupapa Atawhai

Ngā mihi nui ki a koutou!

