Before we get into the webinar properly, I just want to make sure that everyone is on the same page and you know whether or not you need to report using the Categories.

So the categories apply only to Tier 3 and Tier 4 charities.

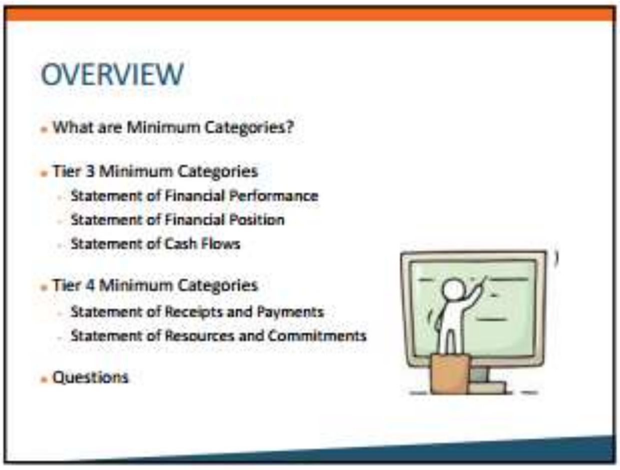
Tier 3 charities are those that have annual operating expenditure of under 2 million dollars per year and they use accrual accounting.

Charities with less than $125,000 who use cash accounting can use the Tier 4 standard.

So if you are a Tier 1 & 2 charity and have operating expenses over 2 million dollars you can sign off now as there are different rules that apply for the presentation of your financial statements.

We have a lot of information to cover today but don't worry if you miss anything as the webinar will be published to our website so you can watch it later.

So today we are going to discuss Minimum Categories.

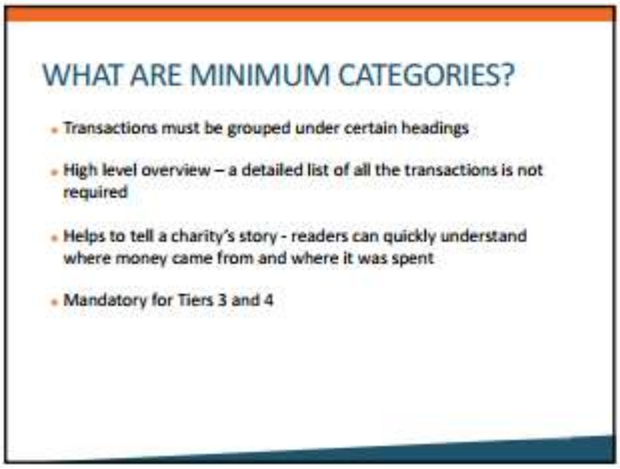


In Tier 3, they apply to the Statement of Financial Performance, the Statement of Financial Position and the Statement of Cash Flows.

In Tier 4 they apply to the Statement of Receipts and Payments and Statement of Resources and Commitments.

And at the end of the webinar we'll answer some questions that we've received throughout the session that we think might be relevant to you.

So what are minimum categories?



The new reporting standards have created a huge change to financial reporting and you will have to do some new learning which is why we are presenting this series of webinars and all you good folk are attending.

As you are all probably aware the new reporting standards set out how a charity must report so please be aware that you can't just provide your old format financial statements with a few other pieces tacked on.

So what are minimum categories and why do you need to use them?

Basically, your old financial statements used to be a long list of transactions and now you are required to group these transactions into categories instead of presenting a long list.

The word "minimum" is a little confusing so I just want you to think about categorising similar financial information into groups.

If you are using the template that the External Reporting Board made, you can see that they are compulsory as they are marked with a red asterisk.

The idea is that by grouping information into categories it will make it simpler for readers of your charity's Performance Report to quickly and easily understand where money came from and where it was spent.

Using the categories will give people a high level overview of your charity's finances.

It also helps readers to compare the Performance Report of one charity with another as the categories ensure consistent information is presented for each charity.

As you can see on the screen, the Performance Report consists of a number of statements: non-financial and financial.

Both Tier 3 and Tier 4 charities are required to provide two similar non-financial information statements, as well as 2 or 3 financial statements (depending on which tier they report in).

There is also a "Notes" section available to provide more context to the financial information if its needed.

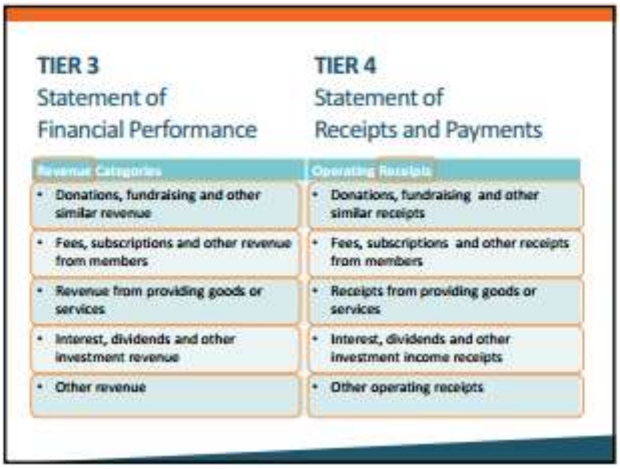
Today we are focusing on the financial statements.

The categories apply to the financial information of three statements in Tier 3 and two statements in Tier 4.

There are categories to use in all of these financial statements.

For the purposes of this webinar, we are only going to focus on the categories in the Statement of Financial Performance for Tier 3 and the Statement of Receipts and Payments for Tier 4.

I'll just give you a couple of seconds to have a look at this screen:



We are about to discuss the Tier 3 Statement of Financial Performance and the Tier 4 Statement of Receipts and Payments.

Basically these two statements show the same things but in the standards there is a different language used for money.

In Tier 3 it is referred to as revenue and in Tier 4 it is referred to as receipts.

This is because Tier 3 uses accrual accounting and Tier 4 uses cash accounting.

To make life easy today, I'm going to refer to any money coming into your organisation as Income.

The purpose of these two statements, are to report on all income coming into your charity and all the money that goes out of your charity.

You can see listed on the screen that both statements have categories to report this information.

Remember if your charity wishes to give more detailed information, you can do so by including details of items separately in the Notes to the Performance Report.

There are five different categories to put financial transactions in.

So let's take a look at the categories and see what you would put where.

At the top of the list is:

Donations, fundraising and other similar revenue or receipts.

So for donations, you would put money donated to you by an external sponsor, or for Fundraising revenue you would write in annual appeals, bingo/quiz nights, cake stalls, movie nights, raffles, galas or fairs - any money that you made from fundraising.

The next category is called Fees, subscriptions and other revenue (or other receipts if you're a Tier 4) from members.

So here you would list:

Membership fees, subscription fees, donations or koha and funding received from members, or money received from your members for goods and services provided to them.

The next category is called Revenue from providing goods or services.

So say you were a charity that hired out children's car seats, your income would be recorded here.

Or you might provide swimming lessons to children, so the income from the swimming lessons would go in this category.

And grants also that are a contract for the delivery of goods or services would go in this category.

The next category is called:

Interest, dividends and other investment revenue (or receipts if you're a Tier 4 organisation).

So in here goes money paid to the charity in the form of interest or dividends.

The last category is:

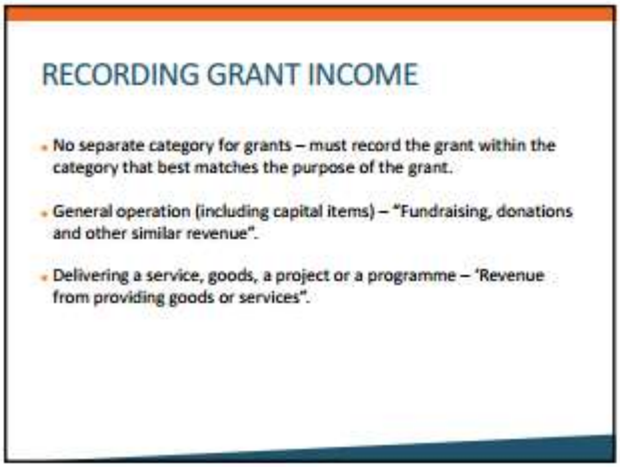
Other revenue, or Other operating receipts.

So insurance pay-outs, royalties, GST (if you're GST registered and you're recording information as GST exclusive).

And again you can provide a breakdown of these items in the “Notes” section.

I know that some of you have been wondering, where is the category for grants?

What do I do with grants?



As you may have noticed under the new standards, there is no separate category for grants.

Instead, your charity must record the grant in the category that best matches the purpose of that grant.

You need to stop and think about what the grant was given to your charity for.

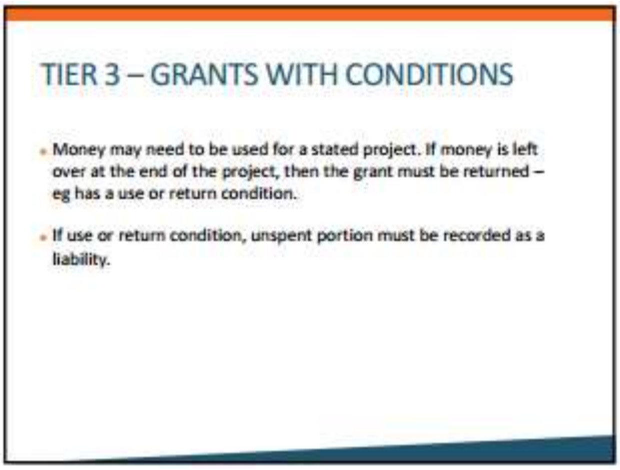
Grants for the general operation of your charity (including grants for capital items) will be recorded under the category “Fundraising, donations and other similar revenue”.

Grants for delivering a service, project or programme will be recorded under the category:

“Revenue from providing goods or services”.

You should record the grant as income when you actually receive the money into the bank account.

Some grants come with conditions attached and there are usually only two types of conditions.



The first one is “Use or return” – this is where you need to use the grant for what it was given for or you have to return it to the funder.

An example of this is when the money received must be used for a certain project and if the project doesn’t go ahead then the grant must be returned.

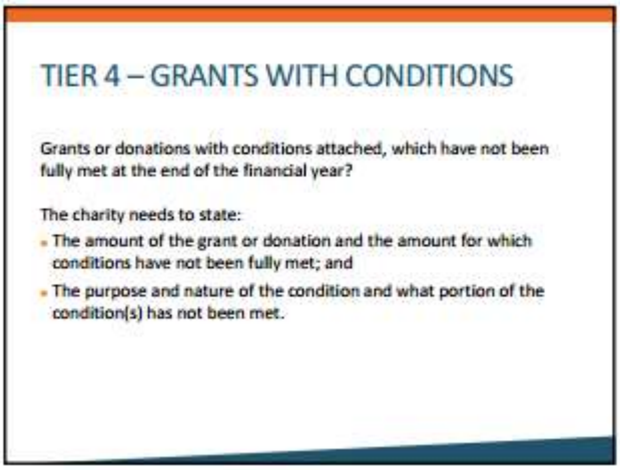
If the grant has a ‘use or return’ condition and you are a Tier 3 charity, then at the end of the financial year, the unspent portion of the grant must be recorded as a liability in the Statement of Financial Position.

The other type of grant is any other grant with conditions attached (that are not use or return).

These types of grants need to be recorded in the Notes section.

If you have a look at the back of the template, you will see a note called Note 7 and this is where you record Significant Grants and Donations with Conditions which have not been recorded as a Liability.

So after the webinar, if you're a Tier 3 organisation, have a look at Note 7.

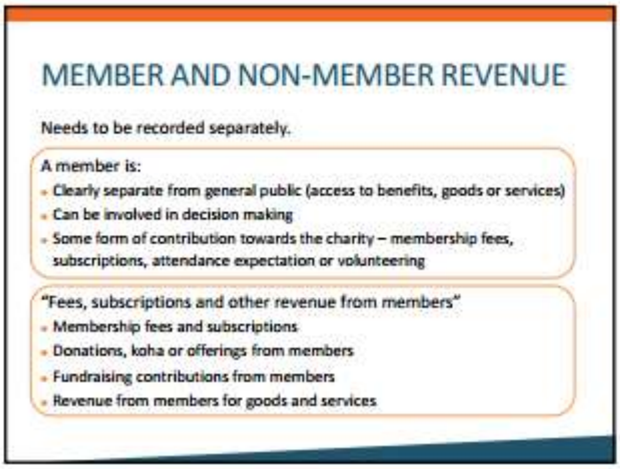


If you are a Tier 4 charity and you have received a grant or donation with conditions attached, and those conditions have not been fully met at balance date (which means the end of your financial year) then your charity needs to state in the “Statement of Resources and Commitments”, the amount of the grant or donation and the amount for which conditions have not been fully met; and the purpose and nature of the condition and what portion of the condition(s) has not been met.

And again, I realise that this is a lot of information to take in all at once, but remember you can listen to the webinar again.

The standards ask for all money received from members to be recorded separately from money that is received from non-members.

You may be thinking, “Who are our charity members”?



There are a few factors that will help you identify if you have members:

Members are a group of people separate from the general public.

Members may have access to benefits, goods or services not available to the general public.

Members can be involved in the decision making of your charity, and this will often happen at the AGM.

Membership commonly involves some form of contribution towards the charity – for example, membership fees, subscriptions, expectations of attendance or volunteering.

And most charities will know straight way if they have members or not.

The rationale for separating income from members and non-members helps to show the reader the extent to which the charity is self-funded or funded from external sources.

This is useful in understanding where a charity gets its income from to fund its activities.

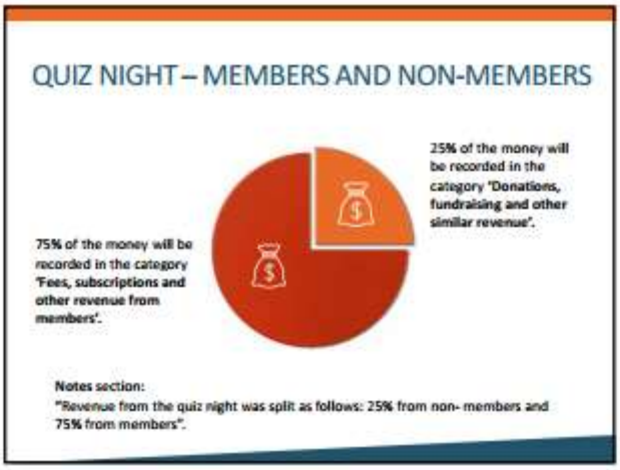
All income from members should be recorded in the category “Fees, subscription and other revenue from members”.

This could include: membership fees and subscriptions, donations, koha or offerings from members, fundraising contributions from members, and revenue from members for goods or services.

Please also have a look at the resource on our website that explains more about members.

As you're signed up to participate in the webinar today, you will be emailed a link to the members resource.

So, let’s go through an example that relates to members.



A charity holds a quiz night.

The event is mainly for members, but they are encouraged to invite friends and family.

The nature of the event makes it difficult to track non-members.

Money made from the quiz night is from gold coin entry and a raffle.

On the night, the organisers look around the room and can see that about 25% of the attendees are non-members.

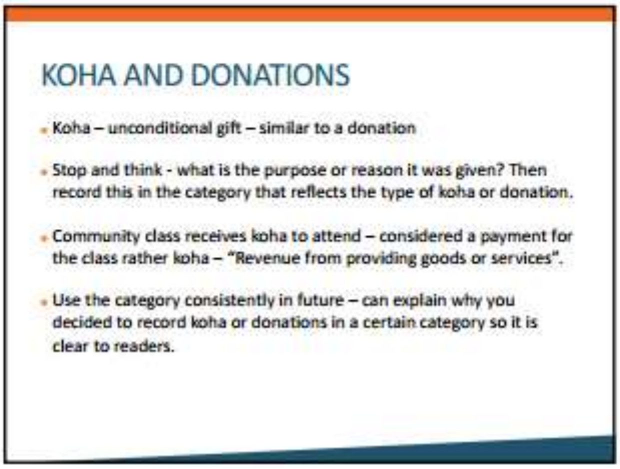
As there are no hard and fast rules the charity decides:

25% of revenue will be recorded in the category “Donations, fundraising and other similar revenue” as this money was received from non-members.

75% of revenue will be recorded in the category “Fees, subscriptions and other revenue from members” as mainly members attended the event.

The charity will explain in the Notes section of the Performance Report about the judgments that were made about splitting the quiz night money, so “Revenue from the quiz night was split as follows: 75% from members, 25% from non-members.

Lots of charities operate on donations and koha, and as most of us are pretty clear what a donation is I’m not going to go over that today, but I’ll talk a little bit about koha.



Giving koha is the practice of bestowing an unconditional gift, where the recipient has neither stipulated that it be given, nor has any expectation of receiving it.

It is an integral part of Maori culture and significant protocol is attached to it.

Traditionally, koha has taken many forms but in more recent times it has tended to be in the form of money.

So what if you receive koha and donations?

Where do you put them?

You need to stop and think about the purpose or reason for which the koha or donation was given and record this amount in a category that best reflects the type of koha or donation that it is.

It's easy if they are a gift. Put them in the category called "Donations, fundraising and other similar revenue".

However, if you received a koha or a donation from providing goods or services then you will need to put them in "Revenue (or Receipts) from providing goods or services".

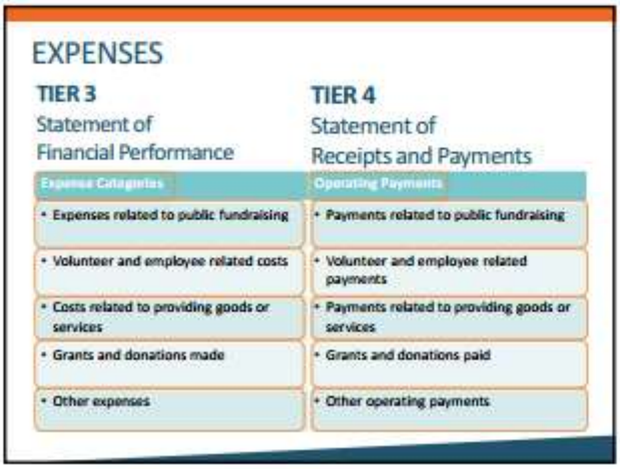
For example, a charity runs a community class and asks for koha from participants who attend.

This is not strictly koha, and it could be considered a payment for the class rather than a donation, and therefore it would be recorded under "Revenue, from providing goods and services".

Once your charity decides which category to record donations and koha under, the category should be used consistently in the future.

You may want to record the reasons your charity has decided to record these transactions in a certain category so that it is clear in years to come to other members of the committee or your new treasurer when they come on board, and also for readers of the Performance Report.

We have looked at how you record money coming into your charity and now are going to take a look at how you would record expenses (or money going out).



You will see on the screen that there are two statements and again both statements use slightly different language.

In Tier 3 the term used is Expenses Categories and for Tier 4 the term used is Operating Payments.

Don't worry about the language, as it's all about the money that is going out of your charity.

So let's go through the five categories set out in these statements – as you can see they have different language too but they refer to the same thing.

So the first one is:

Expenses related to public fundraising, or if you're a Tier 4, Payments related to public fundraising.

Some examples of these might be: venue hire, the costs of promotion and marketing, koha for equipment borrowed, cost of prizes, fees or commissions paid to a third party for public fundraising.

Next is:

Volunteer and employee related costs, or Volunteer and employee related payments if you're a Tier 4.

Here you would include all expenses that your charity pays out that are related to salaries and wages, PAYE, kiwisaver contributions, staff training and professional development or staff recruitment.

The next category is:

Costs relating to providing goods or services, or if you're a Tier 4 the term is Payments relating to goods or services.

Basically this is where you record your overheads.

Include here things like your utilities (rent, rates, power, telephone), IT costs, insurance, repairs and maintenance, software, cleaning and postage. All those kinds of things.

The fourth category is: Grants and donations made, or Grants and donations paid.

This one is fairly self-explanatory.

Just list any grants that you have paid to other people or to other organisations, or if your charity gives out scholarships, list the scholarships paid, or the donations made.

And the last category is quite a narrow field:

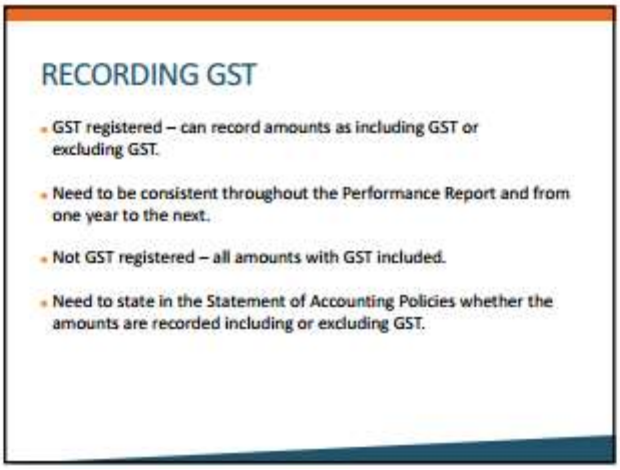
Other expenses, or other operating payments if you're a Tier 4.

Include here interest payments, affiliation fees, audit fees, bank fees, depreciation.

Remember: You can provide a breakdown of these items in the “Notes” section at the back of the Performance Report.

You may have noticed by now that the new reporting standards allow for discretion and for you to use your judgment.

Recording GST is another example of this.



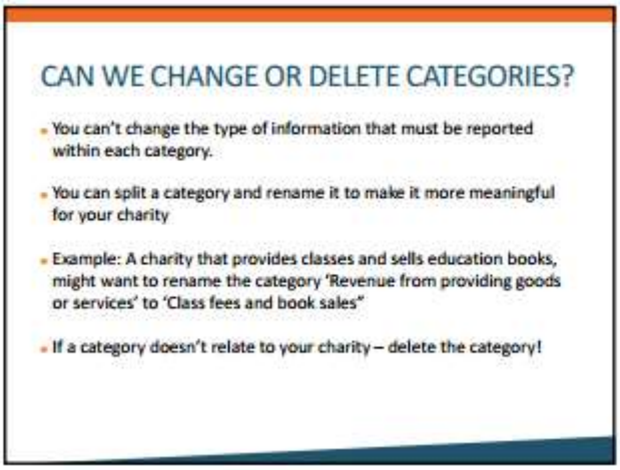
If your charity is registered for GST, you can choose to record amounts in your Performance Report as including or excluding GST.

If you're not GST registered then record all amounts with GST included.

You will just need to be consistent throughout the Performance Report and for any other future reporting.

In the Statement of Accounting Policies, which is right at the back of the Performance Report, you need to say whether the amounts are recorded including or excluding GST.

So, I bet you are thinking can I change or delete the categories?



If I had a dollar for every time someone has asked me that question I would be a very rich person.

No, you cannot change the type of information that must be reported within each category.

That's the reason they are called minimum categories as this information needs to be reported and needs to be comparable with other performance reports.

The good news is that you can split a category and rename it to make it more meaningful for your charity.

For example, a charity that provides classes and sells educational books, might want to rename the category:

'Revenue from providing goods or services' to 'Class fees and book sales' as that's what they are set up to do, and it makes more sense for them to call it class fees and book sales.

If it makes more sense to rename the category and it's more useful to your charity, then feel free to do it but please don't get carried away and rename them all.

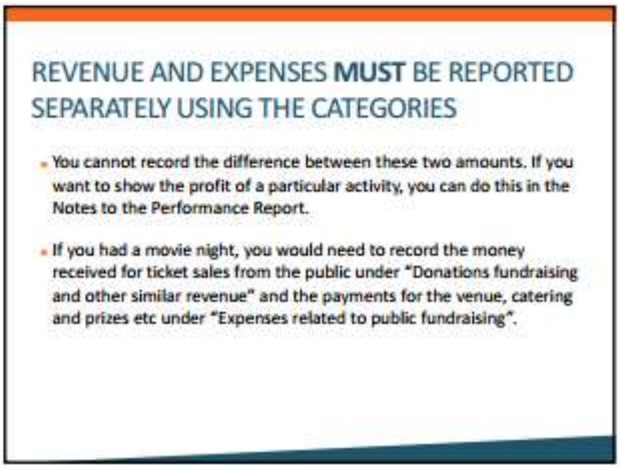
If a category doesn't relate to your charity, you can delete the category.

But we urge you to only do this where it is useful to your charity.

Please don't take it too far and end up with a list that looks like your old format financials – this is not the intention of the standards.

Please make sure that any changes you do make to the categories are used consistently in the future so that accurate information about your charity can be compared overtime.

With the standards you must report what came into your charity and what went out by using the categories.



Some people have asked us, do we need to use the categories when we just want to show the profit we made from a fundraising event?

Unfortunately, no, you cannot record just the difference between what it cost and what you made.

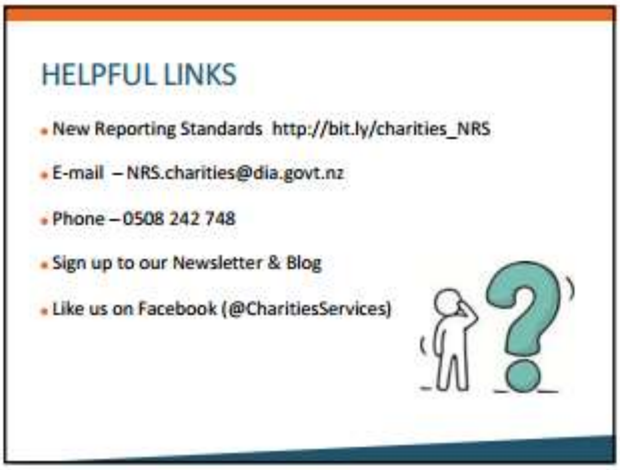
If you held a movie night as a fundraiser, you would need to record the money received from ticket sales from the public under “Donations fundraising and other similar revenue”.

You would also have some costs that need to be categorised too.

As this was a fundraising event then you would add any expenses for the payment for the venue, catering and prizes etc under “Expenses related to public fundraising”.

If you want to show the profit of a particular activity, you can do this in the Notes to the Performance Report.

So we're nearly at the end of the webinar but I really want to point out some helpful links for you.



This slide shows you where you can get further information if you want to.

There are lots of resources to help you with reporting on our website – www.charities.govt.nz

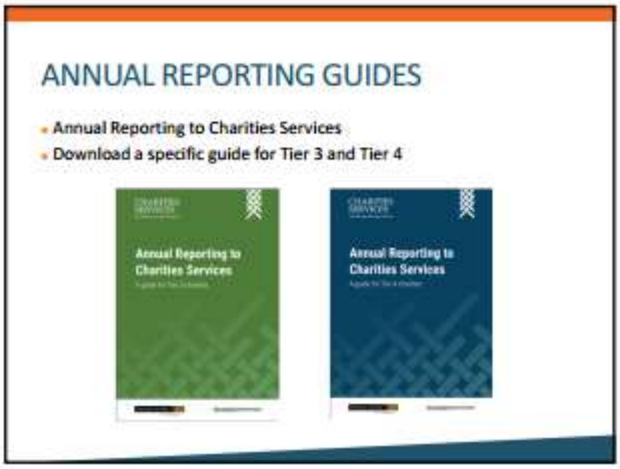
We also have a dedicated email address for all queries to do with the new reporting standards – please email us and we will answer your question.

Remember also that this webinar will be available from our website shortly so you will be able to watch it again at your own pace.

We have a newsletter that goes out once a month and you can sign up to that on the front page of our website and there's also a blog.

We have a Facebook page, we've been on Facebook for a few months now, so like us on Facebook and you'll keep up with all our information.

We understand that all of this might be all fairly new to you and to help we have been busy making an Annual Reporting Guide to help you to report.



You can find the guides on our website under the new reporting standards tab on the front page.

You can download the Guide and it will help you with the whole reporting procedure.

It will take you through the steps required to report annually to Charities Services, including confirming your charity's tier, preparing your charity's Performance Report and filing the Annual Return.

It is a practical step-by-step guide to be used in conjunction with the template that was developed by XRB (and there's a blank template in the back of the annual reporting guide).

We recommend that you use them. They're very, very good.

This brings us to the end of the session.

If we haven't managed to answer your question today, and you still need an answer, then feel free to e-mail the address on the screen.

Thank you for listening in today, and the effort that you are putting in to your Performance Reports.

We know that many of you are volunteers giving up your own time to do this learning.

Thanks also for the work that you do in your communities and for making NZ a better place for all New Zealanders.

If you hang on the line for a couple more minutes I'll have some questions...

Alright so the first question is:

"Can we rename the category?"

As I said in the webinar, no, you can’t actually change the type of information, but yes you can rename the category.

If another name makes better sense to you and the people who will read your Performance Report, then go right ahead.

The second question is:

"We don’t have members as our charity is a Trust. What do we write in the Fees, subscriptions and other revenue from members category?"

As I said in the webinar, if the category is irrelevant to your charity you can delete it.

So this charity is a Trust and it doesn't have members, so that's fairly irrelevant so it can just delete that category.

Question 3:

"Do we have to use the categories? Our committee likes the old format better."

Yes, you do have to use the categories - it's mandatory by law now.

You can disaggregate your transactions. You can split them up to a certain extent if this is more useful to your members.

However a big long list of all your transactions won’t be very easy to read for other people, especially like funders who are short on time and now with the new reporting standards the performance reports are really comparable.

The rationale of using the categories is to be able to see at a glance what came in and out of your charity and then to be able to compare that information year on year.

So, yes you have to use the categories and I think that if you're a charity that wants to get funding it’s probably a really good idea to make it as readable as possible for people who are looking at your performance report.

This question came in this morning and it’s a good question so we thought we'd read it out here today:

"We rescue dogs from the local city pound, put them in foster care and look for permanent homes from them. We've usually asked for a donation when the dog is adopted, to help cover some of the costs from rescuing the dog. This year we will be changing our wording from “donation” to “fee”. My question is how do we categorise the adoption donation/fee we receive for the dog? Do we put it in “Donations, fundraising and other similar revenue” or “Revenue from providing goods or services”?"

The answer to that question, because the people are changing the word - so its a fee now rather than a donation - they would categorise it in the category “Revenue from providing goods or services”.

As it's a fee, not a donation, so it wouldn't go into "Donations, Fundraising and other similar revenue".

Okay, if you haven't had your question answered today please email us on nrs.charities@dia.govt.nz and we will answer your question over the next few days.

Thank-you very much for listening in today.

All the best with your performance reports and tune in for the next webinar that's coming up soon.

Thanks very much everyone for attending.