

Update

INTERNAL AFFAIRS

Te Tari Taiwhenua

CHARITIES

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Under the spotlight



Hello everyone

It's been a busy month with our role as the charities regulator in the media spotlight following recent decisions made by the independent Charities Registration Board (CRB).

As a regulator we work hard to apply the law. This means remaining consistent when decisions are made about whether or not an organisation qualifies for the benefits of being a registered charity.

The law requires both Charities Services and the CRB to be scrupulous, and make every effort to get it right when we register a new charity or review an already registered charity. We will always do our best to communicate well, and to make the process as easy as we possibly can.

As an example, we have worked with Family First representatives since 2007 to ensure they understand their obligations under the law and operate within those. If you're interested, both the [press release](#) and the CRB [decision](#) are available for you to read on our website.

We will do all we can to provide guidance and support to charities, and to people wanting to register a charity, but we have a legal responsibility to ensure only bona fide charities are registered.

In the case of Family First, the CRB determined that its main purpose is to promote particular points of view about family life; its purpose and activities do not meet the threshold requirements to be a registered charity under New Zealand law.

Under the Charities Act 2005, Family First does have the right to appeal the CRB's decision to the High Court and has now taken this step. You can find out more about this process in the relevant sections of the Act: [Section 59](#), Right of Appeal; [Section 60](#) Where the High Court may make an interim order pending determination of appeal; and [Section 61](#) Determination of Appeal.

As a result of the CRB's decision to deregister Family First, I have been asked a bit recently about whether or not other organisations can have an advocacy role. The answer is that yes they can so long as it is ancillary to their main purpose. A good case in point is the recent decision to register National Council of Women of New Zealand Incorporated (NCWNZ).

When looking at their purposes and activities, the CRB concluded that while the Council 'communicates with political actors, including making submissions to parliamentary committees' these 'do not indicate that the NCWNZ is maintained for an independent

(non-ancillary) political purpose'. The full decision is also [available](#) on the website.

Philanthropy and public benefit has also been a hot topic in the media with commentators asking whether or not charities should provide a certain percentage of their income directly towards public benefit.

There is currently no legal requirement in New Zealand for an organisation to distribute a minimum percentage of its funds, provided that the funds are not accumulated for more than 80 years. However, the funds still need to be ultimately applied to advance the organisation's charitable purpose.

All registered charities are required under the Act to provide annual returns, which become publicly available on the Register. This is important because it makes charities accountable and promotes transparency, trust and confidence in you and your activities.

Any registered charity must pursue its purposes and be maintained for exclusively charitable purposes. If a charity has a financial surplus at the end of a financial year, that surplus still has to be used by the charity in the years to come to achieve that purpose, so it is, in effect committed.

In this issue of Update you can read more about the seminars we have just completed with The External Reporting Board (XRB), the Ministry of Business, Innovation and Employment (MBIE), and ANGOA – the Association of NGOs of Aotearoa. The new templates they are working on will certainly assist with the consistency of financial and non-financial information – leading to greater public trust and confidence.

I was fortunate to go sessions in Dunedin and Christchurch. They were a great opportunity to meet up with some of you. I was very impressed with the fantastic turnout. The presentations were comprehensive and your feedback will also ensure we are on track with making the proposed reporting standards easy to follow and useful to the sector as a whole.

All the best



Brendon Ward
General Manager, Charities Services

Philanthropy – what's it all about



Thought Leaders from throughout the world informed, challenged and stimulated the thinking of Philanthropy New Zealand members at its April conference and three Charity Services staffers were impressed.

Peter Dixon Manager Education, and Sarah Doherty and Pitsch Leiser Regional Advisers Capability say they were fortunate to attend the 2013 Philanthropy New Zealand Conference as it was an excellent opportunity to be part of conversations around funding in the Not-for-Profit (NFP) sector.

Philanthropists are challenging themselves to ensure every dollar makes the largest amount of difference in New Zealand in the areas where it is most needed, the trio conclude.

“For me it was all about knowledge exchange,” says Pitsch. “The idea that your knowledge and my knowledge shared, exchanged and intermingled grows our knowledge and that of others; in this case the effectiveness of our NFP organisations.”

Another highlight was hearing Bronwen Golder. “Speaking about the high trust model that funders use to fund the Global Ocean Legacy Bronwen stunned us when she said she has never written a project report or a budget.

“What she does is maintain a close relationship with the Pew Foundation and its funding partners. They trust Bronwen’s outstanding skill and expertise to progress the ambition. Quite different to the outputs and outcomes approach, having the focus on funding the ambition.”

Finding out more about costing the cost of granting from Kate Frykberg of the Todd Foundation, was a good learning experience for conference participants. In an exercise to cost out an hourly rate the time taken to apply for a grant Kate factored in the time of both the successful and unsuccessful applicants. In reality \$100,000 of funding may make only as much as \$40,000 of difference to building inclusive communities. On the other hand multi-year funding can free-up as much as two weeks of time.

Sarah was impressed by Sir Stephen Tindall, of the Tindall Foundation with, *Teach NFPs how to engage with consultants (and then fund them to do so.* Mary Jo Kaplan: *Honour the past. Be ruthlessly honest about the present. Boldly imagine the future.* And Tim Brodhead: *Support the NGO ecosystem.*

“To me the idea of an ecosystem captures so much more of the picture than sector,” Sarah says. “Ideas like: organic, complex, multi-faceted, interlinked, connected and living, come to mind.”

Peter says the challenge to funders and agencies supporting charities to give their opinions as well as their money in terms of supporting healthy communities was an interesting perspective.

“While this is not always a role for a government agency, it does hold a real opportunity for private foundations with the means and mana to speak out.

“The whole notion of the conference was about catalytic philanthropy – a different approach to traditional philanthropy (funding a direct need), or venture philanthropy (funding the scaling/growth of a successful existing initiative).

“Catalytic philanthropy focuses on the notion of investing resources to create an even greater return than your initial investment.

“This is a complex subject, but it was really great to explore with the experts at the conference. The Charities Services Education team works to be a catalyst in supporting charities in New Zealand and I came away with some new ideas and focus for ways to deliver this goal.”

Philanthropy New Zealand includes a wide variety of philanthropists and grant makers ranging from large family foundations to community trusts and small bequest foundations.

A step closer for Financial Reporting Bill

The Financial Reporting Bill takes a step closer with the Commerce Select Committee report back to Parliament on 22 May 2013.

Hon Craig Foss, Minister of Commerce says the Bill will improve the quality of financial reporting by charities and allow the External Reporting Board (XRB) to issue accounting standards for registered charities.

Additionally, the Select Committee’s changes include:

- Increasing the threshold at which a not-for-profit entity must prepare financial statements on an accrual rather than cash basis from \$40,000 to \$125,000. This reduces the burden for smaller charities, which may not have capacity to pre-

pare complex reports.

For further information visit http://www.parliament.nz/en-NZ/PB/SC/Documents/Reports/9/8/e/50DBSCH_SCR5854_1-Financial-Reporting-Bill-42-2.htm

Minister Goodhew speaks to FINZ

The practice of philanthropy and charity is as old as humanity, Hon Jo Goodhew, Minister for the Community and Voluntary Sector, told delegates at this month's Fundraising Institute of New Zealand (FINZ) Conference.

"People have been giving away their money, property, and time to others for millennia," she said. "Philanthropy has taken many forms over time, and these forms continue to develop in our rapidly-changing world.

"The move to professional fundraising is a relatively recent development in the long history of philanthropy and community involvement. FINZ plays a very important role in the sector by undertaking to promote and uphold professional and ethical fundraising and encourage the development of philanthropy in New Zealand.

"A priority I have is for government to explore the ways it can support social enterprise and social finance.

"While the need for donations is ever-present, many community organisations are also looking to diversify their income streams through an increased focus on trading. Social enterprises are organisations that trade to support social or environmental goals.

"The Department of Internal Affairs has recently undertaken research on building social enterprise potential and the role of social finance in New Zealand. An initial online survey, conducted as a mapping exercise, shows a social enterprise sector that is relatively mature and quite diverse.

"Another development in NGO funding is the work the Ministry of Health and the Treasury are doing to look at the possibility of piloting social impact bonds in the New Zealand context. This work is modelled on the various initiatives already underway overseas.

"Social bonds are a new way for investors and service providers in New Zealand to work together and with the Government. They are an innovative way of contracting for social outcomes, and are one of the ways that the Government is looking to bring private and public resources together for greater collective impact.

"We are living in an age of increasing transparency and easier access to information. People want to be able to see that they are supporting a credible organisation that accounts for the way its funds are used. Any lack of transparency and clarity affects the credibility and financial viability of charities and other NGOs."

A full copy of the Minister's speech is available on the [Beehive](#) website.

XRB Roadshow – a great success

The sell out External Reporting Board (XRB) New Zealand Roadshow on the proposed new accounting requirements for not-for profits is over with both presenters and attendees testifying to its success.

Presenters, Pitsch Leiser, Sarah Doherty and Adrian Shields from the Charities Services Education team joined ranks with XRB, an independent Crown Entity responsible for the development and issuing of the standards, the Ministry of Business, Innovation and Employment (MBIE), and ANGOA – the Association of NGOs of Aotearoa to run the seminar series up and down the country.

Held in 16 locations from Invercargill to Whangarei from 1 March to 8 May the 23 free seminars were presented to pack houses. A webinar was also made available.

During the three-hour long seminars attendees heard what was being proposed, how the changes may affect registered charities, and how to make a submission on the proposed standards.

“We reached some 2500 charities with attendees ranging from auditors and accountants representing one or more charities, to members of charity boards, treasurers, secretaries and chief executives and managers of charities,” says Pitsch.



“Survey responses indicated the high level of benefit people received from the information presented and having the opportunity to make submissions on any of the key points.

“Charities Services is now looking at how the online Annual Return format for registered charities can best reflect the proposed changes so that minimal additional reporting will be required,” said Pitsch.

Adrian adds that one of the more exciting features of the proposed new accounting standard is the aspect of the performance report where registered charities focus on non-financial information.

“This could include details on the entity, why the organisations exists, who its people are, what key activities have been undertaken in the last year, and what is required to be a longer term sustainable organisation,” he says.

“This data will also have the potential to assist donors and funders of charities make more informed decisions as the stories told through these reports can paint a more informed picture of an organisation.”

Sarah says for smaller charities, with less than two million dollars expenditure, reporting will be easier because the new report templates will provide financial information that can be understood by non-accountants.

“It was great to see so many people at the seminars – a big thank you to all the participants for their enthusiasm and feedback,” she said. “They gave us some useful ideas for what we might take on the road in the future.”

Newsletter distribution

In future we want to bring this newsletter to you in a different way. We will be setting up an RSS Feed so you can log in and get the newsletter sent directly to your inbox.

Setting up an RSS Feed is easy and at no cost to you and there will be simple instructions on how to do this in the next newsletter.

The Update Newsletter is also available, along with previous issues, on the [website](#). You may choose to read it here rather than getting it as an email.



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