



FINANCIAL REPORTING

Charities Reporting Requirements

If you are a registered charity, your financial reporting systems will need to align with Charities Services Financial Reporting requirements and will be dictated by what Tier your organisation is in.

Most Neighbourhood Support members will be in either Tier 3 (under \$2 million annual expenses) or Tier 4 (annual operating payments under \$125,000).

If you are in Tier 3 you will need to use an accrual accounting system. This means that your income and expenses are recorded when they are earned or incurred, rather than when cash is received or paid. If, for example, you have sent out an invoice, but it has not been paid, you would still record this under income.

Organisations in Tier 4 are able to use a cash-based accounting system, which means that transactions are recorded at the time they are received or paid.

[You can find out more about the Charities Reporting requirements here.](#)

Your Financial Year

If you are an Incorporated Society or Trust it is highly likely that your financial year is set out in your Constitution or Trust Deed. Most community organisations in New Zealand have a financial year that begins on 1 July and ends on 30 June of the following year. This is because it is the government's financial year and if you receive government grants it is easier to budget and account for them if your financial year aligns.

1. Setting Your Annual Budget

Good financial processes begin with a good budget. In most organisations the Treasurer and/or a staff member will develop the budget before the beginning of the new financial year. This will involve looking at the income you expect to receive in the coming year, and the expenses you expect to pay out. Once this has been done, the Board or Committee should then consider the Budget and a motion will be put to the meeting to accept it. The people tasked with managing your finances then know what they can spend and can proceed with administering the finances without having to check back to the Committee all the time. If you need to make a purchase that has not been budgeted for, e.g. a computer needs replacing unexpectedly, then it is expected that the Treasurer or the staff will come back to the Committee to approve this.



FINANCIAL REPORTING

2. Monthly Reporting

Most organisations and businesses will arrange to pay their bills on the 20th of every month. A common process for this is for someone to set up the payments for any invoices received, and for two other people (your organisation's agreed signatories) to authorise these payments. This ensures that checks and balances are in place and mistakes or irregularities should be picked up. Once the payments have been made the Treasurer or a staff member will prepare a set of monthly reports. These should include a balance sheet (which shows your bank balance for the month end, as well as any other assets and liabilities) and a profit and loss statement. The profit and loss show how you are tracking against your annual budget and highlights any variances.

If your Board or Committee does not meet every month then you may want to appoint a sub-committee to review the reports each month. The Sub-Committee will then provide a report to the Board or Committee when they do meet, which should include the most recent Profit and Loss and Balance Sheet. It might also include a list of the payments which have been made for the months between Committee meetings.

[Community Net has more information on monthly reporting.](#)

2. Year-End Financial Reports

At the end of your financial year, after you have completed your usual monthly processing and reporting, you can begin the year-end process. This involves ensuring that all income and expenses for your financial year have been accounted for (regardless of whether you have paid or received money for them) and preparing a set of financial and performance statements for the year. These statements need to be prepared in accordance with the Charities Services Financial Reporting Standards and submitted with your Annual Return. The [Charities Services website](#) has templates that you can use, as well as a range of resources to assist you.

It is common for many community organisations to have their annual financial performance reports reviewed or audited by a qualified accountant. The Charities Services Financial Reporting Standards only require organisations with expenditure over \$500,000 to be either audited or reviewed, while organisations with expenditure over \$1 Million must be audited. However, your Constitution or Trust Deed may have a rule in it requiring you to be audited or reviewed each year. If it does then you will need to follow this rule, or you will be in breach of your Constitution and the Incorporated Societies Act. It may also pay to check with your funders. Some funders require that the organisations they contract or provide funding to are audited or reviewed, and you could jeopardise your future funding if you don't.



FINANCIAL REPORTING

Tax Matters

They say that nothing is certain except death and taxes, so it is important that your organisation understands what your tax obligations are!

If you are a registered charity you may be eligible for tax exemption status. This means that you do not have to pay tax on any surplus that you may make.

If your organisation's turnover for the past 12 months is more than \$60,000 you will need to register for GST.

If you employ staff your organisation will need to register as an employer with IRD.

You will need to ensure that your employees pay income tax at the correct rate, that the income tax is taken out of their wages and paid to IRD in a PAYE return, and all eligible employees are enrolled in KiwiSaver and the appropriate deductions are made.

Have questions?

[IRD can tell you more about your tax obligations.](#)

Accounting Software

There are a number of good accounting software packages available now.

They are usually cloud-based and enable you to easily use internet banking and generate your monthly financial reports. Most operate on a subscription basis, which means you pay a fee each month for using the software and have a discount for charities.

[Xero](#) and [MYOB](#) are two of the most popular packages used by community organisations in New Zealand.

There are also software packages to assist with running your payroll. They will work out your PAYE returns and how much leave your staff are owed.

At NSNZ we use [SmartPayroll](#), but there is also [iPayroll](#) and [ThankYou Payroll](#).