



Hi everyone, thanks for taking the time to join us today.

I'm Francesca from Charities Services and I have a number of my colleagues in the room to assist me with the webinar today.



This is the first webinar in a series of lunchtime webinars that we are holding throughout the year.

The webinars are directed at charities that report using either Tier 3 or Tier 4.

Please sign up to our newsletter on our website, that's: [www.charities.govt.nz](http://www.charities.govt.nz) or sign up to the Charities Services Facebook page so you know when they're coming up.

We're going to talk a little about logistics here and let you know how the webinar will run.

This is the first webinar in our lunchtime series of webinars and we are super excited that over 1,700 people have signed up for it!

Having a little bit of trouble with our slides at the moment so just bear with us...



We've sent out the PowerPoint slides to all the participants so you'll be able to write notes as we go through the webinar if you've downloaded them.

If you haven't downloaded the slides yet and you would like to, you can find them on the right-hand panel at the side of your screen.

Look for the button with a document icon.

You can ask a question through the webinar and we'll be able to respond to some of them as they come in.

We also have a little time at the end of the webinar for a couple of questions.

You can ask questions by typing them in the box at the right-hand side of your screen.

Look for the button with a question mark icon on it (?)

That's where you'll type in your question.

We know technology is fabulous but we also know that there's a cyclone on its way in New Zealand!

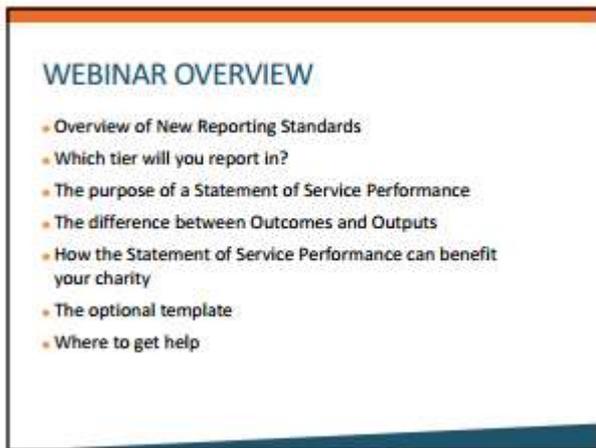
It can sometimes be a bit of a tricky thing.

We're hoping that we don't have any technical difficulties today.

If we do I will mute my microphone and we'll go off air until we fix the issue, and we'll be back as soon as we can.

We're hoping that the technology will do what it's supposed to do though and everything will go smoothly.

I've included an overview of what we're going to cover today and we will come back to this slide during the webinar so you can see where we're at and where we are going.



We have a lot of information to cover but don't worry if you miss anything.

All the information referred to in the webinar is going to be on our website and the webinar will be published to our website this afternoon for future viewing.

So we're going to start today with a quick overview of the new reporting standards.

We'll have a look at the difference between a Tier 3 and a Tier 4 charity so you can work out which tier you'll report in.

We'll also look at the purpose of writing a Statement of Service Performance.

I will demystify the differences between outcomes and outputs and explain how the Statement of Service Performance can really benefit your charity.

I'll also show you a copy of the optional template that you can use to help you and where to find help and resources.

And at the end of the webinar we'll have some time for you to ask some questions.

As you know, new reporting standards were introduced in April 2015 and registered charities are now required by legislation to use these standards.



As you belong to a charity, it's now time to embrace the change and learn about tiers, templates, outcomes and outputs.

But first we thought to provide some background.

Financial statements for the not-for-profit sector are not a new idea.

Implementing standards to improve financial literacy in the sector has been talked about for nearly two decades.

Part of the reason why is that for-profit standards never fitted the not-for-profit sector and they required a degree of financial literacy that most small charities didn't possess.

Accordingly new standards have now been introduced and New Zealand has the first cash standard in the world designed especially for the very small organisations who report at Tier 4.

The new not-for-profit financial reporting standards have created significant change in the way that charities now do their financial reporting.

So if all this is new to you then please watch the three minute video on our website for further understanding about what's required from you and your charity.

The standards have been arranged in tiers because charities are vastly different in size.

TIER 4	TIER 3
<ul style="list-style-type: none"><li>Under \$125,000</li><li>Cash based accounting</li></ul>	<ul style="list-style-type: none"><li>Under \$2 million</li><li>Accrual based accounting</li></ul>

There are four reporting tiers but today we are focusing on those charities that are in Tier 3 and Tier 4.

Your reporting tier will depend on two things:

Your annual operating expenses or payments, and what kind of accounting you use.

Just to make it clear: your annual expenses or payments are the day-to-day running costs of your charity over the year.

This does not include the purchase of capital items, such as a new car to help you offer your service or new computers for your staff, so think about just the day-to-day costs of running your organisation when working out your tier.

As you can see on the screen, Tier 4 charities are those that have under \$125,000 annual operating expenses and they use cash accounting.

A simple cash book is an example of cash accounting and it pays attention to the cash as it comes in and out of the bank.

Tier 3 charities have under \$2 million dollars worth of annual operating expenses and an accrual system of accounting is used.

So if your accounts show depreciation and you're using an accounting package, it is likely that you are using accrual accounting.

If you use accrual accounting and you have operating expenses under \$125,000 you can still opt up and use Tier 3, so there is less change for your organisation.

It's really important to know which tier you will report in, as they all have different requirements and there are different templates and guidance notes for each tier.

You can find information about reporting tiers on our website under the new reporting standards tab.

Look for the resource called "Which tier will I use?"

In the past there were no requirements on the quality or the content of the financial information submitted to Charities Services and some charities just uploaded their bank statements for the year.



So things have definitely changed since the introduction of the new reporting standards and now registered charities are required by law to provide a performance report instead of just submitting financial statements to Charities Services.

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.

They also provide two or three financial statements depending on which tier they report in, and there is also a notes section available to provide more context to the financial information if it's needed.

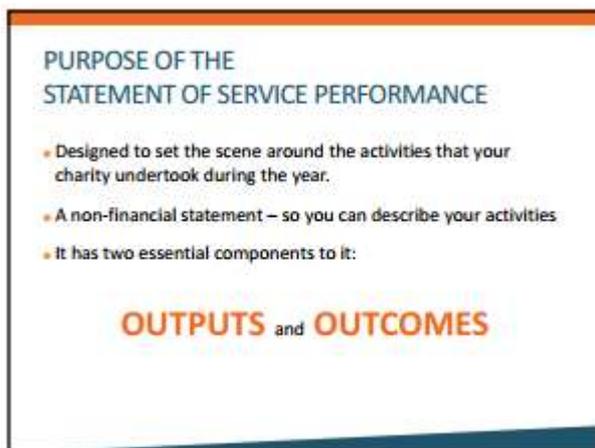
As I said before the non-financial information consists of two statements:



One is the entity information - that's an introduction to your charity and asks you to talk about what you are set up to do and how you are structured.

Our focus today is on the other non-financial statement.

It is the Statement of Service Performance.



The Statement of Service Performance is designed to set the scene around the activities that your charity undertook during the year.

It's where you record what you did throughout the year.

It is a non-financial statement where you tell more of a story about your activities.

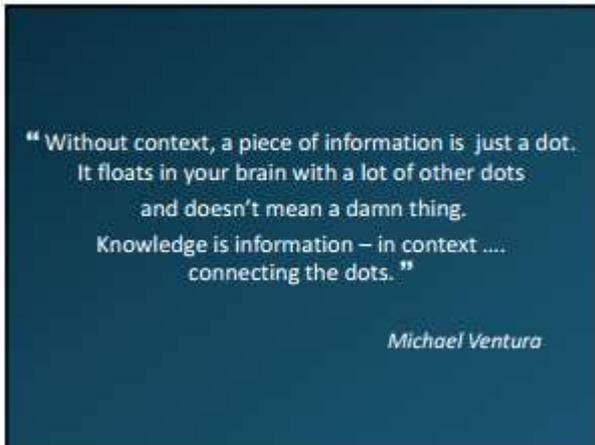
The reason there is a Statement of Service Performance is because for a non-profit organisation, profit is not likely to be the best measure of success.

So the Statement of Service Performance allows you the opportunity to talk about your successes.

It has two essential components to it: Outputs and Outcomes.

Recording your outputs and outcomes provides context to your financial information and helps people to understand what you do in your charity.

I've included this quote in the webinar and I really like how it sums up why it's important to put context around information.



"Without context a piece of information is just a dot. It floats in your brain with a lot of other dots and it doesn't mean a damn thing. Knowledge is information - in context... connecting the dots."

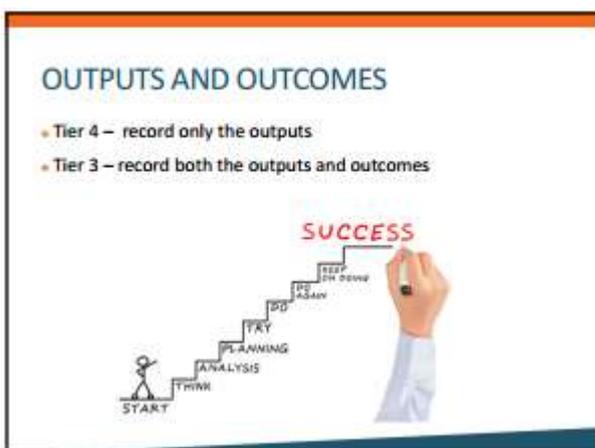
So the Statement of Service Performance really helps to connect the dots for people to gain knowledge about your charity, and it gives context to your financial information.

You want to make the information in this statement really clear, as we predict that funders will look at this statement very, very closely; and so will your members, donors and the general public.

It is this statement that really shows off your good work.

It's important that you make sure you use it well.

So we've covered the very first two topics and up next we're going to talk about the differences between outcomes and outputs.



All charities are now required to describe their outputs over the past year.

Outputs are simply what the charity did throughout the year - the goods or services provided or classes delivered.

Outcomes can be thought about the reason why you did that particular activity.

Another way to look at it is that outcomes are linked to what a charity seeks to achieve or influence through the delivery of its goods or services.

Your outcomes will be closely tied up with the overall purpose your charity was established.

You will need to get prepared at the beginning of your financial year to make sure you are recording information to be able to report your outputs and outcomes when your performance report is due.

A simple log of what you did throughout the year and the reason why you chose to do that work will make it easier to write your report at the end of the year.

As I said on the last slide, outputs are simply what your charity did throughout the year.



For example the goods or the services your charity provided, or how many people were assisted during the year.

You may be a Marae and hold kapa haka sessions and hui - these are your outputs.

You would list the number of visitors to the Marae, or the number of people who attended kapa haka.

You could be a philanthropist and your outputs would be the number of grants or scholarships given.

You may feed the homeless or re-home animals.

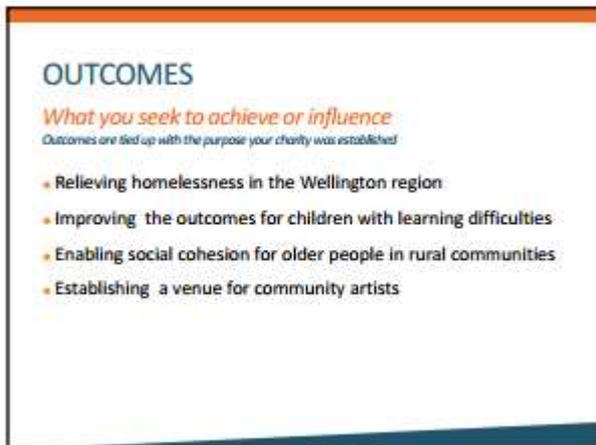
These are all examples of outputs and they need to be recorded in your Statement of Service Performance.

You don't actually have to record every single thing your charity does, you just need to focus on the most significant and the relevant to your charity.

It's worth taking some time to think about how you're going to collect this data, so it's available to the person who will write this part of your performance report.

All Tier 3 and 4 charities are required to report on their outputs every year.

It's not uncommon for outputs to change year-on-year.



Your outcomes are more static than your outputs and they're linked to what your charity seeks to achieve or influence through the delivery of its goods or services.

Your outcome statement will be closely tied up with the overall purpose your charity was established.

You can see from the examples on the screen that outcome statements are written in a broad way and the standards do not ask you to prove that the work you did actually achieve the outcomes.

Some of the outcome examples we've written are:

Relieving homelessness in the Wellington region;

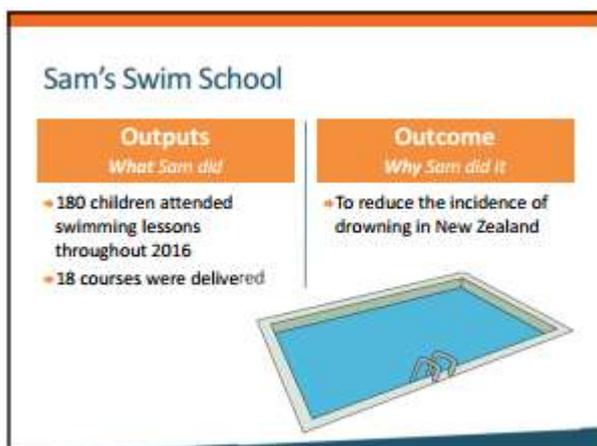
Improving the outcomes for children with learning difficulties;

Enabling social cohesion for older people in rural communities.

So you can see that they're written in a very broad way.

An outcome statement is compulsory for a Tier 3 charity, however if you're reporting at Tier 4 it's a really worthwhile exercise for your governing group, so you are just as clear on what you are trying to achieve.

Let's look at a hypothetical example:



Sam has a swimming school and he teaches swimming to children.

Sam's outputs are that 180 children attended lessons throughout the year.

He ran 18 courses throughout the year, and 10 children attended each course.

Sam is really passionate about teaching people to swim, but there's a bigger reason he does this work... The reason he set up his charity is that he is concerned at the very high drowning statistics in New Zealand. So he wants to ensure that his charity does all it can do to bring down the number of drownings.

So you can see that Sam's outcome is the reason why Sam runs his swimming lessons.

Which are his outputs.

Your performance report is going to be read by many people and the idea is it's supposed to be easy to read so that people can understand what you've been busy doing.

Description and quantification (to the extent practicable) of the entity's outputs:	Actual*	Budget	Actual*
	This year	This year	Last year
	2017		2016
Swimming lesson attendees	180		104
Swimming courses delivered	18		11

Required sections are marked with an asterisk (\*)

The standards ask you to record your outputs for the previous years, so readers can compare what you did last year with what you did this year.

You don't have to do this the very first year you report, but you will need to for subsequent years.

If you have a look at the screen the picture on the screen is of the template.

It's optional but it's worth using.

If you decide to use this template, you can see that there is an asterisk which follows the word "actual" (the little red asterisk at the top).

This means that this is a required section that needs to be completed.

If you have a look where it says "budget" - that's the budget column.

It doesn't have an asterisk so, therefore it's optional whether you use this column or not.

We're now going to discuss how the Statement of Service Performance can benefit your charity.



The Statement of Service Performance can provide some real and significant benefits to your charity.

Writing about your organisation can sometimes be a challenge, but the upside is that it will help your charity with its strategic planning, its governance, and you use the Statement of Service Performance to market yourself.

Thinking and writing about your outputs and outcomes may be something that your organisation is already doing, and therefore there won't be many changes for some of you.



But for those organisations that this is new to, it offers the opportunity for you to improve your strategic planning and to plan ahead - thinking about what you want to achieve and why you want to do the particular things that you have planned.

Because you have to write down what you're doing, it really helps your charity to reflect on the past year and plan for the coming year.

Sam, who runs the hypothetical swimming charity, uses his outputs to think about the number of staff he is going to need to assist him over the next year.

He has been recording the number of children attending swimming lessons since he started his charity.

He knows that demand is increasing and therefore he is going to hire an assistant so he can add another three classes a week.

I'm just going to say a few words now about audits and reviews.

Charities with over \$500,000 operating expenses are required to have either an audit or a review.

If you are captured by the statutory audit requirements, your non-financial information in the Statement of Service Performance will be audited too and therefore you need to start thinking about how you're going to provide evidence of your outputs to your auditor or your reviewer.

It would be a good idea at the start of the year to have a chat to your auditor and plan how you'll keep records of your outputs so you can report at the end of the year.

The Statement of Service Performance will also improve the conversations around your governance table.



You'll have to get really joined up to do this work, which is a good thing for charities and it provides the opportunity to get really clear about your priorities.

It also ensures that your charity stays on track and everyone in your governing group is really clear about the priorities for the year.

How great would it be to have all of the people in the governing group able to articulate what you are doing for the year and the reasons why you have chosen to do these particular things.

All of your committee or board can be involved in this work.

This is not just the treasurer's role, because it's a non-financial statement.

This in turn, will lead to better governance in your charity and the better governance of charities in New Zealand will strengthen the sector as a whole.

We know some organisations are still caught up in the thinking that this is a huge compliance burden, and another thing that needs to be done for government.

And believe me we understand that the government across the board is asking a lot from very small organisations.

We also realise that it's a big change for the sector, and there are some new skills that need to be learned in order to do this reporting.



However this report is compulsory for registered charities, so it's important for organisations to really shift their thinking to how this report can showcase and market their organisation.

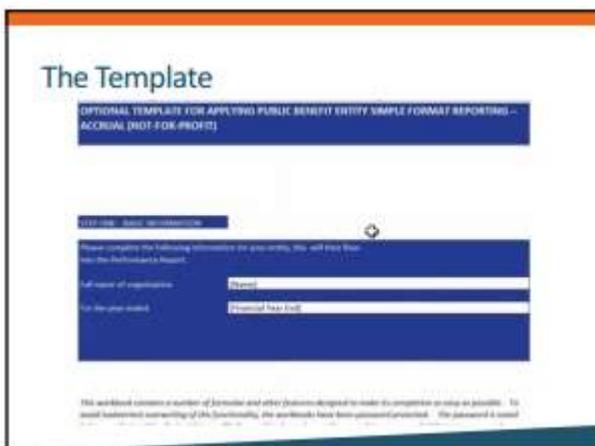
They say a picture is worth a thousand words, so it's really worth mentioning here that the Statement of Service Performance is also very versatile...

You can use graphs, charts, tables and pictures in your Statement of Service Performance to illustrate your successes.

A well-written Statement of Service Performance can help to improve your chances of receiving the elusive funding dollar.

And as they're now comparable across the sector, it's very important to think about how you can make your work stand out from others doing similar charitable work.

Now we're going to take a look at the optional template.



To make it easier for charities to comply with the standards, a template has been developed.

It looks very similar to the one pictured on the screen.

You can find the template on our website by searching for "new reporting standards".

You need to download it to your computer and fill it in.

Make sure you find out which tier you're in before trying to download the template because they're specific to either Tier 3 or Tier 4.

The template is a blank form and is available in Excel format for Tier 3 and Tier 4 charities and it's pretty smart as it can add up formulas for you.

The template is password-protected, to avoid changes to the formulas.

To un-protect the sheet you need to go to the review button at the top of the screen.

You will need to enter the password "xrb", and use lowercase letters to do that.

For each sheet you will need to un-protect it using this password.

We've also made a word version for the people who find Excel a little tricky to use.

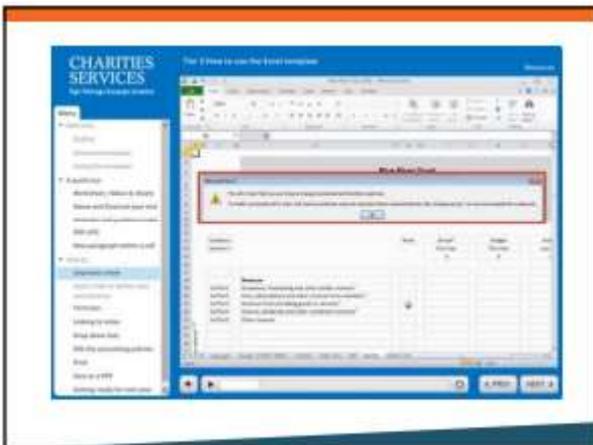
This one isn't as smart, and you will need a calculator with you to do your reporting.

The word version is only available for Tier 4 charities.

We recommend that the first time you report, you use the template - as it's been designed to help you.

However it is optional and we will accept performance reports in other formats - however you need to ensure that they comply with what the standards set out.

There is also a video tutorial to help you learn how to use the Excel template which we also recommend that you watch.



The tutorial takes about 20 minutes to complete and it is a great, clear explanation if you are new to Excel.

Search on our website for the video called "how to use the Excel template."

This next slide shows what the Statement of Service Performance looks like when you use the template.

**Example of Statement of Service Performance**

**Description of the Entity's Outcome:**  
Confident young people who can contribute in their school communities and local communities. Young people who are aware of their options and how to make the most of them.

Description and Quantification (to the extent practicable) of the Entity's outputs*	This Year
Leadership course attendees	45
"Live Life" work skills course attendees (3 sessions per term)	48
Social support group attendees (20 week course, 2 courses this year)	40
Annual fundraising concert attendees	1,324
Recipients of our bi-monthly email newsletter	400

This is a fictional charity that we created, and their mission is to empower young people to realize their full potential.

To provide leadership development opportunities, support young people to stay in school, and develop life skills to enhance employment opportunities.

You can see the outcome statement in the top box:

The outcome statement says, "Confident young people who can contribute to their school communities and local communities. Young people who are aware of their options and how to make the most of them."

You can see how this ties in with the mission of the charity - empowering young people to realise their full potential.

The outputs are listed below with a quantification number if that's applicable to your charity.

You can see that they have run leadership courses, and 45 people attended.

They also ran a "Live Life" work skills course and they had 48 attendees.

They quantified the number of people who attended the annual fundraiser as 1,324 (that's probably a lot of sausages they sold!) and they also recorded how many people received their bi-monthly newsletter.

If this charity had just reported on its finances alone we wouldn't really have much idea about what they were established for and what they were doing in the community.

The Statement of Service Performance provides a really nice snapshot of what they've been busy and you can get a feeling about this organisation by the non-financial information provided.

It offers them a great opportunity to tell their story.

So we're now nearly finished but we've included the very next slide which is very important - it's where to find help.

### Where to find help?

- Visit our website – [www.charities.govt.nz](http://www.charities.govt.nz) and search for "New Reporting Standards"
- Look for the Videos, Guide Books, Information sheets, Templates, Guidance Notes and Tutorials
- Sign up for our Blogs and Newsletters

**People can help you too!**

- Email us on [nrs.charities@dia.govt.nz](mailto:nrs.charities@dia.govt.nz)
- Phone 0508 charities (0508 242 748)
- Talk to DIA Community Operations Advisors or your Accountant



So keep listening if you think you may need to access some of our resources.

We understand that this is a big change for a sector that is short on time and predominantly run by volunteers.

So we've been busy at Charities Services making resources to help you learn what is required from you.

Please go to our website, that's: [www.charities.govt.nz](http://www.charities.govt.nz) and search for new reporting standards.

There is a wealth of information there for you - videos, guidebooks, information sheets, as well as a template you can download and some guidance notes that sit alongside the template.

We've written guidebooks specifically for Tier 3 and Tier 4 charities which really help to explain what's required.

You can download the guidebook, or call us or email us, and we can post one out to you.

Please make sure also that you sign up for our blog and our newsletters too while you're on our website.

The newsletter will let you know when we make new resources and the blog focuses on areas that we identify that people are having trouble with.

But there are also people that can help you too - you can email specific questions to us at: [nrs.charities@dia.govt.nz](mailto:nrs.charities@dia.govt.nz)

You can call us on 0508 242 748 and if our contact centre staff can't answer your question, then they'll forward it on to someone who can.

Charities Services is lucky to sit within the Department of Internal Affairs and your local Community Advisor can answer your questions about the new reporting standards.

Community Advisors are based around New Zealand and they're the people that administer your lottery and COGs grants as well as providing support and advisory services to not-for-profits.

Again they will contact us if they're unsure of what you're asking.

If you use an accountant, they'll be able to help you too.

Make sure that they prepare a performance report for your charity, and not the financial statements that you used to get.

The law now says that registered charities have to provide a performance report, so please question your accountant if they do anything else.

So, thanks to all of you for staying with me.

We have covered briefly the new reporting standards and the difference between Tier 3 and Tier 4 charities.

You will now understand what the purpose of the Statement of Service Performance is - so basically it's a place to tell people about your outputs and your outcomes... those activities that you did throughout the year, and the bigger reason of why you chose to do those things.

An outcome statement is compulsory for those reporting using Tier 3, but it's very useful for a smaller charity to understand the reason why it does what it does.

I've demonstrated how the Statement of Service Performance can help your charity with strategic planning, governance and marketing yourself as a charity.

And I've also explained that there is a template to use, so please download it from our website, as it really will help you to report.

It's optional but we recommend that the first time you report it will be very useful to you.

If you need further help, you can take a look at the resources on our website or request us to send you a guidebook that's been specifically written for Tier 3 and Tier 4.

Use the email address provided in the last slide, or call us and request one.

Just a plug for our newly developed Facebook page!

If any of you are out there and you want to know what's happening, Facebook is the place for us to tell you about it, as well as our newsletter.

So sign up to our Facebook page.

If you just search for "Charities Services" you will find us then you will be in the know.

We've got a few questions have come in and we've got time to answer a few of those today.



If you have a burning question and it isn't answered, please email us on the email address I just gave you: [nrs.charities@dia.govt.nz](mailto:nrs.charities@dia.govt.nz) and we will respond.

So the first question I've got is about outputs.

Question 1:

"What if the outputs that our charity does are not quantifiable in numbers?"

That's a very good question.

Outputs don't have to be quantifiable, so a description of the output will suffice if that makes more sense to you.

Here's another question about outputs:

"Is there a minimum number of outputs that need to be reported?"

The answer is no, you just need to select the most relevant and significant measures for your organisation.

You'll know which are the most relevant for your organisation.

Question 3:

"Are you looking for one key outcome or multiple outcomes?"

Well I'd just like to say that we're not looking for anything at Charities Services - so the standards require you to write about your outcomes, and your performance report is something that you're going to use for your governance group and your funders - so they're going to be looking at it.

So, you might have several outcomes you're working towards, or you might just have one.

You need to pick the key and the most relevant ones for your organisation that will explain to readers of your Statement of Service Performance what you are seeking to achieve.

So just think about the most relevant to your organisation and write that one.

Question 4:

"I understand that charities with operating expenditure over \$500,000 have to have a review or an audit. My charity has operating expenditure under \$500,000 but our rules state that we need an audit. Do I have to include my non-financial information in the audit?"

That's a very good question.

That's right; charities are required by law to have an audit or a review if they have operating expenses over \$500,000.

If they're over a million dollars then they have to have an audit by law.

So if your charity has under \$500,000 operating expenditure but you choose to have an audit, because it's in your rules, then you can also choose what non-financial information you want included.

If you do choose to have your non-financial information included then you will need to consider what kind of information your auditor will need to audit your outputs.

So for Sam, in the hypothetical swimming school - he keeps attendance records at each swimming class so he can show his auditor how many children attended lessons throughout the year.

So, something simple like that might work for you but I would say it would be a good conversation to have with your auditor at the beginning of the year.

We've got time for one more question -

Question 5:

"What if my charity just gives out grants? How do I show that as an output?"

Well we know that there are a lot of philanthropists on the Charities Register and so if you just give out grants you could state the total number of grants, or the average amount of the grant, the types of organisations you gave grants to, or just the number of grants that you gave.

So remember if you have a burning question, email us at: [nrs.charities@dia.govt.nz](mailto:nrs.charities@dia.govt.nz) and we will answer them.



The image shows a slide titled "WRAP UP" with a list of three bullet points. At the bottom right, there is a logo for "LUNCHTIME WEBINAR SERIES".

**WRAP UP**

- We will post the webinar on our website so you can view it later
- This was the first in a series of lunchtime webinars that we are holding throughout the year
- The next one is scheduled for 2 May 2017 and will discuss Cash Flow Statements

LUNCHTIME WEBINAR SERIES

We're going to post the webinar on our website this afternoon and we will email all attendees the link and links to our website, the template, the resources and examples of Statements of Service Performance.

There are some really good examples too of performance reports, complete ones, if you'd like to have a look they're under the Tier 3 and Tier 4 pages on our website.

We have a number of webinars scheduled and the next one to mark in your diary is on Cash Flow Statements.

This one is scheduled for the 2nd of May at 12:00 p.m.

If you're a Tier 3 charity then you'll want to attend this webinar, as Tier 3 charities need to write a Statement of Cash Flows.

Tier 4 charities do not have to complete a Statement of Cash Flows so it's probably no point in you attending that one.

However do look on our website or sign up to our Facebook page, or sign up for our newsletter so you can know when all the next webinars are coming up.

So, the aim of my presentation today was to highlight how the Statement of Service Performance can showcase the activities of your charity and how to report on outputs and outcomes.

I hope that attending today was useful to you and you can see why it's a very important part of the performance report.

So to end I'd like to thank you for listening today, and also to thank you for the work that you do in your communities.



Your work not only strengthens the community you live in, it has a positive outcome in strengthening New Zealand as a whole.

All the very best with your reporting. I look forward to seeing them in time to come.

Hope everyone stays dry for the cyclone that's coming!

Happy Easter and thank you very much for being with us today.