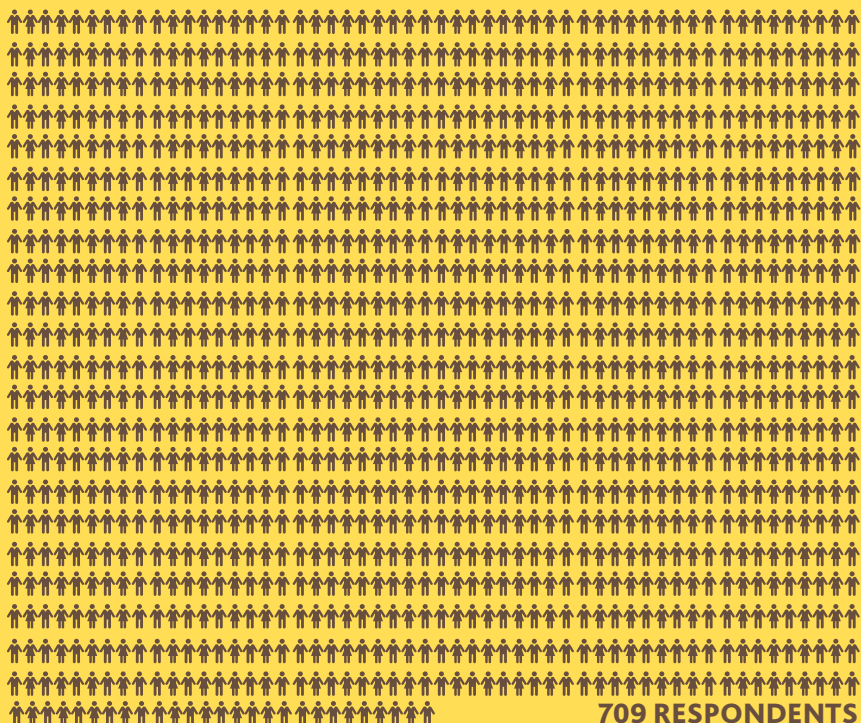


A background image showing several hands of different skin tones stacked together in a supportive gesture, symbolizing teamwork and community. The hands are positioned in the center and right side of the frame, with some fingers pointing upwards and others resting on each other. The background is a soft, out-of-focus blue-grey color.

FINANCIAL REPORTING PREPAREDNESS

A SURVEY OF PREPAREDNESS AT APRIL 2017

Charities and Not-for-Profit organisations have completed their first financial reporting under Public Benefit Entity Standards. We asked these organisations what their thoughts were and the learnings from this process. We share below the responses received from 709 charities who were registered on the Charities Register.



56%

KNOW ABOUT THE CHANGES IN
FINANCIAL REPORTING AND HAD SOME
KNOWLEDGE

53%

OF RESPONDENTS HAVE PAID
EMPLOYEES

80%

AGREE THAT CHARTITIES SERVICES HAVE
MADE SUFFICIENT AND APPROPRIATE
RESOURCES AVAILABLE TO CHARITIES
IN RESPECT OF FINANCIAL REPORTING
CHANGES

55%

FOUND IT TOOK THEM BETWEEN ONE
AND FIVE HOURS TO COMPLETE THEIR
FINANCIAL REPORT IN THE NEW FORMAT

62%

FOUND ASSISTANCE WITH THE NEW
FINANCIAL REPORTING STANDARDS FROM
AN EXTERNAL ACCOUNTANT

64%

REQUIRED SOME ASSISTANCE WITH THE
NEW FINANCIAL REPORTING STANDARDS

43%

OF RESPONDENTS ARE TIER 3 CHARITIES

41%

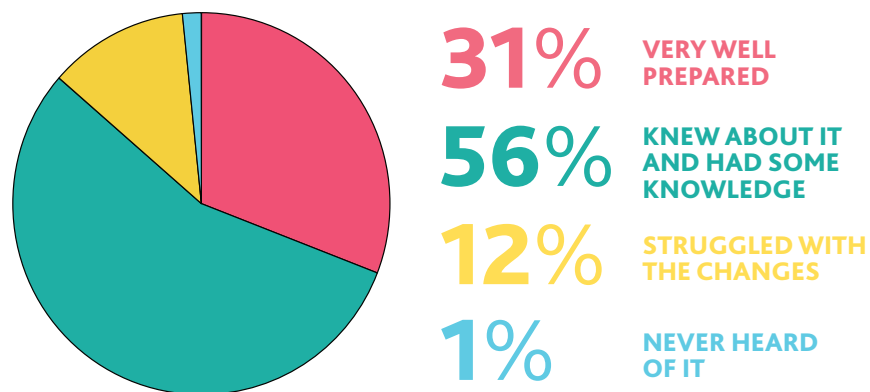
OF RESPONDENTS ARE INCORPORATED
SOCIETIES

52%

SPENT NO ADDITIONAL MONEY ON THE NEW
REPORTING FORMAT IN THE LAST YEAR

WE ASKED

How well prepared were you for the changes in Financial Reporting?



Nearly one third of respondents were well prepared. This is a credit to the Government agencies such as Charities Services and XRB, and other organisations that have been working on these changes since March 2013. The remaining two thirds have some level of planning and have made an attempt at coming to grips with the changes. Less than 2% of the respondents had no idea that there had actually been a change.

Overall we see the community as reasonably well prepared.

This is in contrast with the experiences seen by Charities Services who in their newsletter in March 2017 reported that approximately 40% of charities in a sample checked by them had not implemented the new standards in any manner. They identified in that report that the principal area of non compliance was in the Tier 4 standards. This would indicate to us that there is a lower level of understanding, or even awareness of the requirements of charities to the financial reporting standards. The survey done by BDO was principally done by respondents that were engaged in the sector and had an understanding of the financial reporting standards. We are of the view that the bulk of non respondents would have fallen into the category identified by Charity Services as non complying.

Do you require any assistance with the new financial reporting standards?



About two thirds of respondents required some assistance with the new PBE standards. This is not a surprise given the level of change and the complexities moving forward from non existing or very basic accounting standards to internationally modelled standards.

The main source of assistance came from external accountants, many of whom had a rapid learning curve to the new standards. In workshops held over the previous three years prior to the start of the standards, it was evident that charities had a better understanding of the impending changes than external accountants. With the assistance of CAANZ, Charities Services and the XRB running roadshows and webinars, accountants caught up very quickly. They are now seen by the community as the go to people for assistance with PBE standards.

The second most popular source of assistance was the Charities Services website which has comprehensive information well laid out for charities to use on no charge basis.

CHARITIES WEBSITE

50%

EXTERNAL ACCOUNTANT

62%

DIA STAFF

13%

COMMUNITY GROUP

9%

How much longer did it take you to complete your Financial Report in the new format?



In discussions with accountants throughout the country and with Charities Services officials, there has been a consensus that it has taken longer for charities to complete their financial report this year as opposed to previous years. This was reflected in the survey in that 55% of charities responding stated that it took them between 1 to 5 additional hours to complete their financial report. A further 27% stated that they spent more than 5 hours on the new report. The additional time taken appears to be low in relation to the additional time it has taken for charities to lodge their annual report with Charities Services.

Disturbingly, 5% of respondents have not yet changed to the new financial reporting format. This is low in comparison to the Charities Services experience in reviewing annual reports which would indicate that 40% of charities have yet to make the change. There is clearly more work to be done in this area.





Have Charities Services made sufficient and appropriate resources available to your charity in respect of Financial Reporting changes?



AGREE

80%

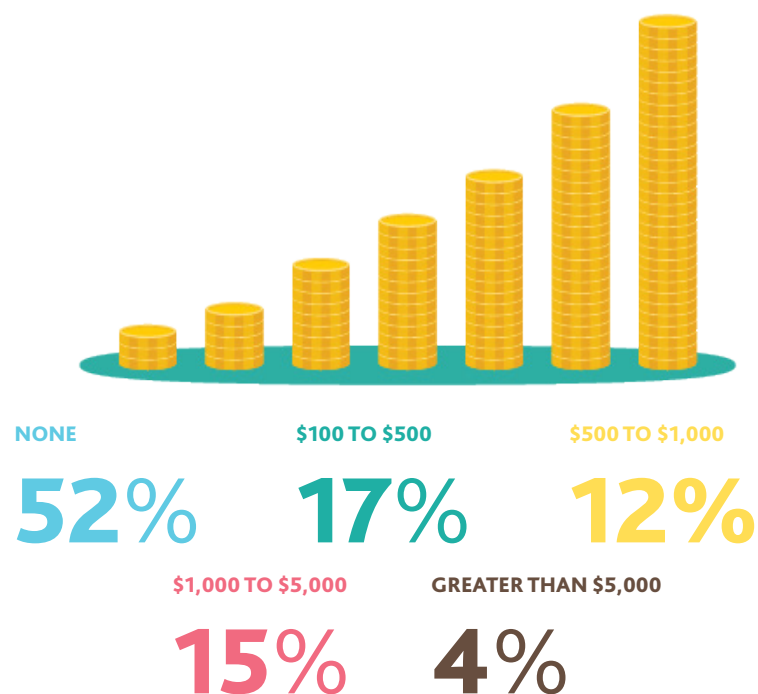


DISAGREE

20%

Respondents overwhelmingly (80%) rated Charities Services highly in the resourcing made available to charities in respect of financial reporting changes. This is a credit to the preparation work that Charities Services have put into making the changes as easy as possible.

What additional money did you spend on the new reporting format in the last year?



The resourcefulness of charities is seen in that 52% of respondents did not spend any money in adapting to the new changes. This is impressive given the complexity of the changes. Only 15% spent over \$1,000 in coming to grips with the extensive and complicated accounting standards that were introduced. This would indicate that charities use the free resources from the Charities Services website and were able to obtain information from accountants at low or no costs.

What is the ONE thing you would need from Charities Services to make your transition easier?

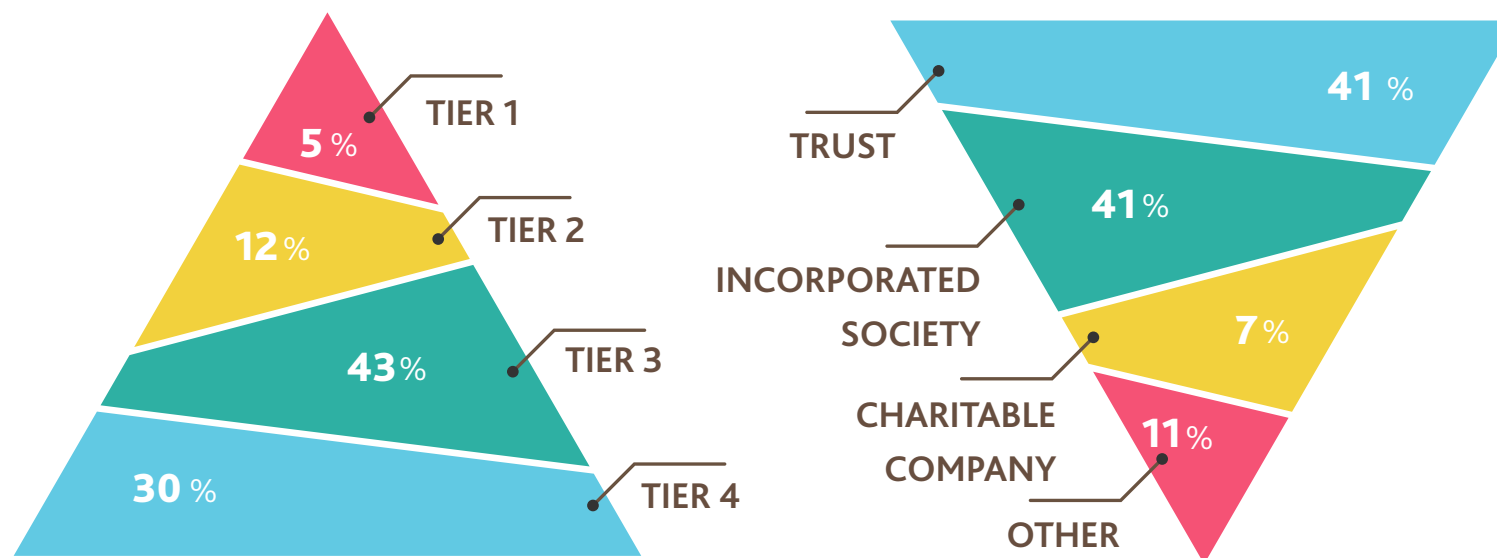
Respondents were asked to comment on the one thing that they would need from Charities Services to make their transition easier for the new financial reporting systems. Below is a small representation of the respondent's views.

- ▶ Better template
- ▶ Easier to use template
- ▶ Not restating comparative made sense and was helpful
- ▶ A free accountant
- ▶ Clear and simple templates with good notes
- ▶ Better explanations around cashflow preparation
- ▶ Thank goodness we use Xero and they had templates
- ▶ Statement of Service Performance was not easy to understand

The overall comment is that the template was seen as not easy to use by some of the respondents. We struggle to see how much easier this could have been made given what was available in Excel and in PDF on the Charities website. The other comments regarding the more explanations on the Statement of Cashflow, we believe is valid and has been taken up by Charities Services in the free webinars which they are giving to Tier 3 charities.

The Statement of Service Performance is still a work in progress with all charities having had a first go at it in 2016. We believe that we will see refinements in this in the years to come.

About Respondents & their structure



*8.31% DON'T KNOW OF ANY TIERS


18% of respondents were either Tier 1 or Tier 2. As these organisations have more resources available to them they have found the transitioning easier than the respondents in Tier 3, which made up 43% and Tier 4, which made up 31% of the charities who responded.

In this survey there has been a much lower response rate from Tier 4 organisations, which is not surprising given that organisations of that size would be mainly run by volunteers and not have an infrastructure in place to take part in this type of survey.

40% of respondents were Trusts, with a further 41% as Incorporated Societies. The remainder was made up of Charitable Companies and other which were not specified.

53% of respondents had employed paid staff and 48% did not.





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