



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need-to-know series


Accounting update

Financial reporting requirements for
incorporated societies


Wednesday 18 March
12:30pm – 1:15pm




Kia ora welcome to this webinar

A white icon of a speaker with a large 'X' over it, indicating that video should be muted.


Please keep your video off and remain on mute

A white icon of a presentation slide with a bar chart and a tripod stand, representing slides and recording.


Slides and recording will be made available after the webinar

A white icon showing two stylized human figures, one with a speech bubble containing a question mark, representing a Q&A session.

Put your questions into the Q&A. We may not be able to respond during webinar, but we will get back to you in due course

A white icon of a clipboard with a checklist, representing a survey.

Survey to follow - Please provide us with your feedback

A white icon showing a presentation screen with three stylized human figures in front of it, representing a thank you message.

Thank you for joining us today
Enjoy the webinar



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Our purpose

Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance.

What we deliver

Reporting strategies and frameworks

Financial reporting standards

Climate standards

Auditing and assurance standards



Who standards apply to is determined by legislation



What is in the standard is determined by the XRB

The outcomes we seek



Trusted



Informative



Integrated

Reporting in New Zealand

Two key questions:

Who has to report?

Set in legislation



What information gets reported?

Set in standards



What we will cover

Incorporated Societies

1. Background
2. New financial reporting requirements
3. Financial reporting standards
4. When to apply the new requirements
5. First-time application considerations



The new Incorporated Societies Act 2022

New Act

- New requirements relating to governance
- New financial reporting requirements



Transition period for replacing 1908 Act

- 5 October 2023 – 5 April 2026
- Societies to reregister



What are the financial reporting requirements of the new Act?



In summary

- Incorporated societies that do not meet the criteria to be a ‘small society’ will need to apply XRB Standards
- A ‘small society’ can choose to follow the **requirements set out in s104**
- If an incorporated society is a registered charity, it follows the financial reporting requirements of the Charities Act 2005



What are the financial reporting requirements of the new Act?



Section 102 (2) of the Incorporated Societies Act 2022

The financial statements must be prepared in accordance with:

- For a specified not-for-profit entity, generally accepted accounting practice (GAAP)
- For a **small society**, GAAP, or a non-GAAP standard, or the **requirements set out in s104**
- For any other case, GAAP or a non-GAAP standard



Section 108

If the incorporated society is a registered charity, it continues to apply the financial reporting requirements of the Charities Act 2005.

What is a 'small society'?

In each of the last 2 accounting periods:

Operating payments



and

Current assets



and

Organisation type

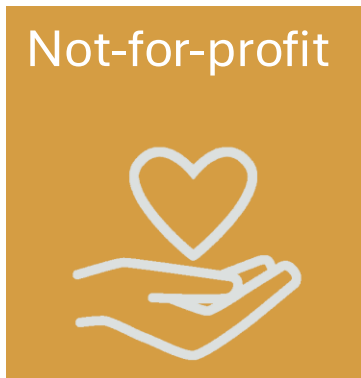
Not a registered
charity or approved
donee organisation

Section 104 Minimum Requirements

- Income and expenses (or receipts and payments)
- Assets and liabilities
- Any security interests on property of the society

XRB financial reporting standards - sectors

XRB issues financial reporting standards across these sectors:



Most incorporated societies should apply not-for-profit reporting standards

Reporting tiers - determining which standard to apply



Not-for-profit sector



TIERS 1 & 2

Total expenses over \$5 million*

Apply PBE Standards



TIER 3

Total expenses under \$5 million

Apply Tier 3 (NFP) Standard



TIER 4

Operating payments under \$140,000

Apply Tier 4 (NFP) Standard

*Tier 1 over \$33 million and Tier 2 under \$33 million of total expenses.

Public Accountability

If you have public accountability as defined in XRB A1 you will be required to apply Tier 1.

Tier 3 (NFP) Standard

- Single Standard
- Accrual based
- First year concession for comparative information (where applicable)
- Preparation of a performance report that includes:

Statement of service performance	Non-financial information about activities and objectives
Statement of financial performance	Revenue and expenses
Statement of financial position	Assets, liabilities, accumulated funds
Statement of cash flows	Cash received and cash paid
Statement of accounting policies	How the entity has done its accounting
Notes	More detailed information about key items



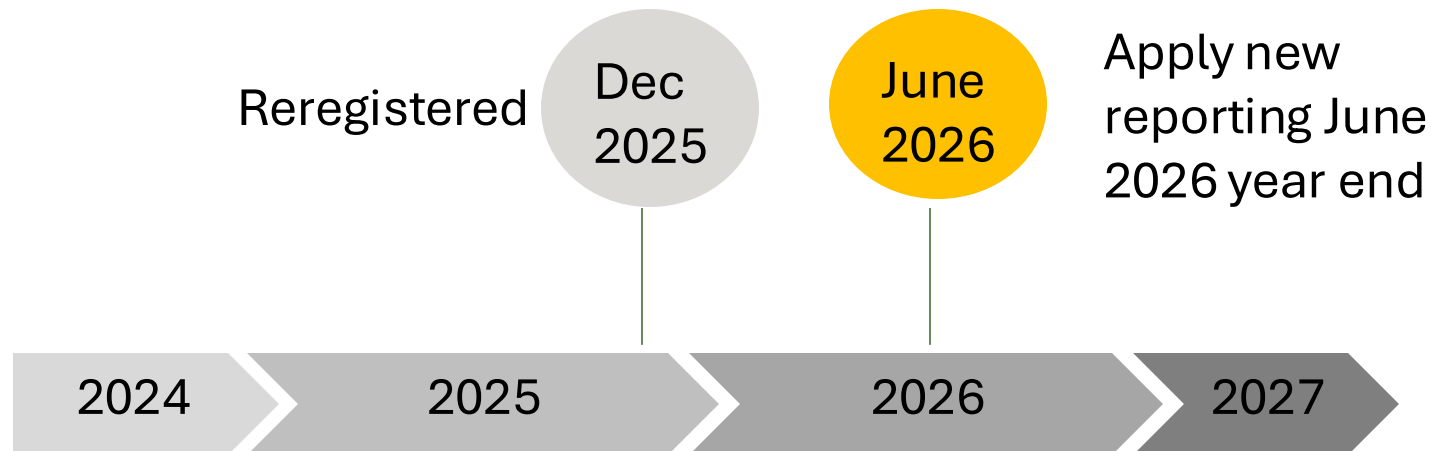
Tier 4 (NFP) Standard

- Single Standard
- Cash based
- First year concession for comparative information
- Preparation of a performance report that includes:

Statement of service performance	Non-financial information about activities
Statement of cash received and cash paid	Cash received and cash paid
Accounting policies and notes	Information about: <ul style="list-style-type: none">• how the entity has done its accounting• significant assets and liabilities• transactions with related parties

When do we need to apply the new financial reporting requirements?

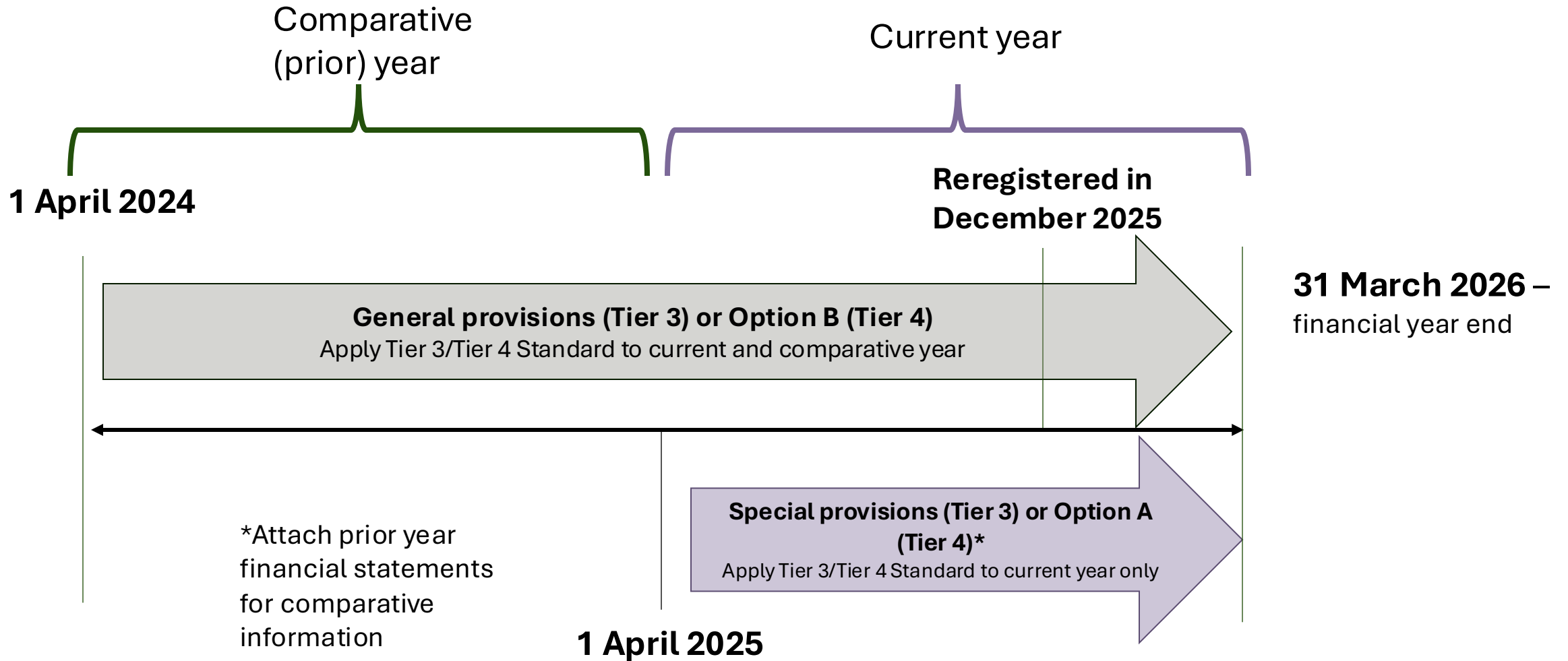
- Applies to the preparation of the next set of financial statements after the society has reregistered
- For example:
If a society has a 30 June financial year end:



- Financial statements and annual return must be filed **within 6 months of financial year end.**

First time application – transition

Example – First-time application of Tier 3 and 4 Standards after reregistration



First-time application - Revenue categories



Tier 3 (NFP) Standard	Tier 4 (NFP) Standard
<p>Revenue categories:</p> <ul style="list-style-type: none">• Donations, koha, bequests and other general fundraising activities;• General grants;• Capital grants and donations;• Government service delivery grants/contracts;• Non-government service delivery grants/contracts;• Membership fees and subscriptions;• Revenue from commercial activities;• Interest, dividends and other investment revenue; and• Other revenue.	<p>Revenue categories:</p> <ul style="list-style-type: none">• Donations, koha, bequests, and other fundraising• General grants received• Service delivery grants/contracts• Membership fees or subscriptions• Sale of goods and services (commercial activities)• Interest or dividends received• Other cash received

Common for incorporated societies to earn revenue (or cash receipts) that is **not**:

- Donations/fundraising
- Grants
- Commercial

These activities may, in themselves, contribute to the achievement of the purpose of the society

This type of revenue can be coded to service delivery grants/contracts

Other first-time application considerations



Accounting for interests in other entities (Tiers 1, 2, and 3)

- Consolidation
- Joint arrangements
- Investments in associates

Service Performance Reporting

- Non-financial reporting
- Tier 3 – report on objectives, and activities during the year
- Tier 4 – report on activities during the year

Other

- Information included in previous reporting
- Related party information
- Audit
- Time and effort of first-time application

For more information

Reporting made simple

Small charities and incorporated societies



We've made reporting easier for small not-for-profit entities

[READ MORE →](#)



Reporting requirements for incorporated societies

[READ MORE →](#)

Website: <https://www.xrb.govt.nz/standards/accounting-standards/incorporated-societies/>



Resources

Tiers 1 and 2

- > [PBE FRS 47](#) *Outlines requirements and allowances on first-time adoption*
- > [FAQs – Tiers 1 & 2 frequently asked questions](#)

Tier 3

- > [Template – Optional and Customisable Tier 3 template with guidance notes](#)
- > [FAQs – Tier 3 frequently asked questions](#)

New Tier 3 first-time adoption guidance (5 documents summarised on this page)

Tier 3 standard overview

Provides a general overview of the requirements of the Tier 3 standard, and how it differs to previous reporting by societies.



Tier 3 transition guide

Supports societies transitioning to the Tier 3 Standard, outlining practical steps and the transitional requirements

Tier 3 revenue and expenses guide

Outlines key rules when recording revenue and expenses, and highlights a common revenue scenario for societies



Tier 3 assets and liabilities guide

Provides practical guidance on accounting for common asset and liability types under the Tier 3 standard

Tier 3 items to watch out for guide

Highlights a couple of common areas where more complex requirements may apply (accounting for interests in other entities, and accounting for transactions when you are acting as an agent for another organisation).



Tier 4

- > [Templates](#) – Tier 4 optional templates with guidance notes (full and light templates)
- > [Cash guide](#) – Tier 4 reporting categories *Helps you to classify your cash receipts and cash payments in line with the categories of the standard*
- > [Reporting made simple](#) – 5 min video. *A visual overview of the Tier 4 standard*
- > [Tier 4 overview](#) – [At a glance](#) *Overview of the requirements*
- > [FAQs](#) – Tier 4 frequently asked questions




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Questions?


Pātai



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Thank you
Mā te wā

