

Making doing good easier - A new and simpler reporting standard for small (Tier 4) charities – XRB Follow up Q&A

Topic	Question	Answer
Approval	Does the Performance Report need to be signed by all the trustees or can it be signed by the Chair alone if a prior resolution has been passed?	It depends on your rules – the only requirement in the Tier 4 Standard is that the performance report needs to be approved by someone with authorisation to approve it. If your rules allow the chair to approve the report alone, then that is ok.
Significant Assets	How should specific types of assets noted below be reported in the Tier 4 report?	
	A jointly owned property	You should only report what your organisation actually owns as part of the report. If your organisation shares ownership of a property you should report the portion your organisation owns as a significant asset. For example if your organisation owns 50% of a building with a rates value of \$100,000 then you should report \$50,000 as part of the significant assets note in the Tier 4 report.
	An endowment fund held with a fund manager	This should be reported as part of investments in the significant assets note. Your fund manager should be able to provide you with a statement that includes the value of your endowment fund that you can use when preparing your report.
	Transfers of funds to term deposits	This should be at the bottom of the statement of cash received and cash paid as part of the breakdown of cash on hand. Transfers between a bank account and a term deposit would not be included as part of the statement of cash received and cash paid. The key is any balances held in term deposits are included in the Cash Received Cash Paid Statement together with any other bank balances held by your organisation.
Audit/Review	Are there any changes to the auditing requirements for Tier 3 and 4 Charities and is there still a requirement to have reports professionally reviewed?	Audit and review requirements are set in legislation. For registered charities, they are set in the Charities Act 2005. The recent changes to the Tier 4 Standard (the reporting requirements) do not affect the current audit and review requirements for registered charities. We are not aware of any intention to amend the current audit or review requirement as set in legislation:

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		<ul style="list-style-type: none"> ○ Over \$550,000 total operating expenditure – a review is required. ○ Over \$1.1 million total operating expenditure an audit is required. <p>Most Tier 4 Charities are not required to have an audit or review under legislation – because they have operating payments below \$140,000.</p>
Classification	How should various types of income and expenses such as donations, rent, employee remuneration, grants, interest, and commercial activities be classified in the Tier 4 report?	We will soon be publishing a guidance document explaining the new categories which you can use as a starting point when classifying your transactions into the categories. The document will be published on the Tier 4 hub page which you can find here .
Consolidation	Can the XRB tier 4 standard be used as a combined report for a Charitable Trust as well as an Incorporated Society?	<p>We think is referencing consolidation which is the process of combining the financial information of multiple organisations and reporting on them in a single report as though they are a single organisation.</p> <p>Consolidation is only done when one organisation “controls” another organisation.</p> <p>The new Tier 4 Standard does not require consolidation as long as the total operating payments of both organisations combined are less than \$140,000.</p>
Depreciation	Is depreciation allowed in Tier 4 reporting or is it only allowed in Tier 3 reporting?	<p>Depreciation is part of what is called “accrual accounting”. This is the basis of the Tier 3 Standard.</p> <p>The Tier 4 Standard is a “cash accounting” standard and therefore does not include any depreciation expense (because this is a non-cash transaction).</p> <p>If you want to account for depreciation, the Tier 3 Standard is likely to be a better fit for your organisation.</p>
Filing	What are the requirements for filing the new reports for both charities and incorporated societies and has the online annual return at the Charities Services website been	<p>The new Tier 4 Standard does not change the filing requirements for registered charities (including the annual return) or future requirements for incorporated societies.</p> <p>However, we have been working closely with Charities Services throughout the development of the new Tier 4 Standard and they are expecting to update their annual return forms to align with the new Tier 4 Standard.</p>

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	updated to avoid duplication of information?	To help with your filing and avoid doing two different calculations, we have included an additional “converter” tab in the excel version of the Tier 4 Templates. This tab will <u>automatically</u> calculate the numbers you need to enter into the annual return form.
First time reporting	How should organisations moving from Tier 3 to Tier 4, due to the recent increase in tier size thresholds, report comparatives for previous years?	If you are applying the new Tier 4 Standard for the first time for any reason you have a choice between: <ul style="list-style-type: none"> - Option A: Follow the new Tier 4 Standard for only the current year and attach your prior year report at the end of the current report. - Option B: Recalculate your comparative figures to align with the new Tier 4 Standard.
	Can the new template be applied to previous years' reports?	No, the new Tier 4 Template cannot be used to prepare a performance report for any year that ended before 15 June 2023. For years that have ended before this date, you will need to use the previous Tier 4 Standard.
Format	Is there a reconciliation requirement in the new format of the Tier 4 report?	The statement of cash received and cash paid is effectively a reconciliation of your bank accounts between opening and closing balances for the year. There are no other reconciliations required.
Funding	Will the new format of the Tier 4 report be universally accepted by all funding agencies?	The new Tier 4 Standard is intended to meet your financial reporting obligations under legislation and has been developed in consultation with funding organisations. Your funders may request different or additional information at their discretion. Some funders also prefer organisations they fund to report using the Tier 3 Standard’s accrual-based reporting instead of the Tier 4 Standard’s cash-based reporting. We recommend discussing with your funders what reporting they will require in advance.”.
Grants with Conditions	Is there still a requirement to list grants with conditions not met at the time of reporting?	No this is no longer required under the new Tier 4 Standard. This has been removed as a mandatory disclosure to simplify the Tier 4 reporting requirements.
GST	How should GST be reported in the Tier 4 report for GST-registered charities?	GST registered charities can report their transactions on a GST exclusive basis and then enter their net GST paid/refunded during the year as a separate line. The Tier 4 templates include a line for reporting GST in this manner.

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		<p>The Tier 4 Standard provides the option of reporting on a GST-inclusive basis or GST-exclusive basis. We would recommend the GST-inclusive basis when using the Tier 4 Standard because this allows for transactions to be recorded as provided for in the bank statements.</p> <p>It useful to note here, that if you are recording your transactions through an accounting system such as Xero or MYOB – which require the entry of transactions using ‘double-entry accounting’, then the Tier 3 reporting requirements may be a better fit for you.</p>
Significant Liabilities	How should specific types of liabilities noted below be reported in the Tier 4 report?	
	Subscriptions received in advance	<p>Subscriptions in advance are not required to be reported as part of significant liabilities in the new Tier 4 Standard.</p> <p>If you want to account for subscriptions in advance as a liability we recommend using the Tier 3 Standard.</p>
	Contributions collected to support grieving members	<p>If you are collecting contributions specifically on behalf of a member and the money will be passed on directly to that member(s), then this may be reported as part of “Money held on behalf of others” note under significant liabilities.</p> <p>But if the contributions are general donations received by your organisation with the intention that they be used in the future to support grieving members, then any donations will be reported in the “donations, koha, bequests and other fundraising” category as part of cash received.</p>
Location	Are the new standards and forms available on the XRB website now?	<p>Yes, you can find them at the link below.</p> <p>Making doing good easier - Reporting for small charities » XRB</p>
Other information	Do funders or sponsors want to see their specific name in the Financial Report?	<p>Unfortunately we cannot tell you what your funders or sponsors prefer. We recommend you discuss with them whether they want to be named in your report.</p> <p>However, the Tier 4 Standard and Template only set out the minimum that should be provided – you can always choose to provide additional information, including a list of significant sponsors to recognise the support they provide.</p>

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<p>Related party</p>	<p>Would a school itself be considered a close relationship for a school PTA raising funds for special projects for the school?</p>	<p>Whether the school is a related party will depend on the rules of your PTA and how much influence the school has over what your PTA decides to do during the year.</p> <p>The key question will be, can the school influence/direct the activities of the PTA or does the PTA decide what fundraising activities it will do and more importantly what school projects it will fund? Some judgement will be required – but if there is a significant transaction between the school and PTA the safer option will be to disclose.</p> <p>Charities services has a great guidance page on related party transactions which you can find at the link below.</p> <p>Charities Services Related party transactions for Tier 3 and Tier 4 charities</p>
<p>Thresholds</p>	<p>Does the annual operating payments number include the following types of payments?</p> <p>When determining whether the entity is eligible to apply the Tier 4 Standards – i.e. operating payments less than \$140,000.</p>	
	<p>Both operating receipts and operating payments?</p>	<p>No, the size threshold for using the Tier 4 Standard is based only on operating payment.</p>
	<p>Capital payments?</p>	<p>A “capital payment” is a payment during the financial year for the purchase of a resource (commonly referred to as an “asset”) with an expected life greater than twelve months. These payments are <u>not</u> included in the calculation of annual operating payments.</p> <p>For example, if your organisation spent \$120,000 on its ordinary activities for the year, plus purchased a vehicle worth \$25,000 – your annual operating payments would be \$120,000 rather than the total cash spent of \$145,000.</p>

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	GST?	<p>Yes, annual operating payments includes GST. If your organisation reports on a GST inclusive basis then this is already included in the payments reported in the statement of cash received and cash paid.</p> <p>If your organisation reports on a GST exclusive basis, you will need to add the GST paid during the year when calculating the total operating payments.</p>
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