

# Typical Transactions in Incorporated Societies that are not registered charities

Scott Riordan

Victoria University and External Reporting Board Summer Scholar

Supervised by Associate Professor Carolyn Cordery

Victoria University

## Acknowledgements

This research was made possible through funding and in-kind support provided by the XRB and Victoria University of Wellington.

March 2016

## Executive Summary

Incorporated Societies are a vital part of New Zealand's not-for-profit sector. The membership structure of incorporated societies is used by a wide variety of entities: including sports and cultural clubs, service organisations (e.g. professional associations, trades union, social service providers), residents' associations, etc. The Incorporated Societies Act 1908 is under review, and it is proposed that incorporated societies be required to use generally accepted accounting practice (GAAP)/non-GAAP standards issued by the External Reporting Board (XRB). Some 28% of incorporated societies are also registered charities, but little is known about the current financial reporting of the remaining 72% of incorporated societies, especially the types of transactions that they enter into.

This report was commissioned by the XRB and Victoria University of Wellington to aid decision making with respect to the suitability of using accounting standards currently in place for registered charities for incorporated societies. This research is similar to the 2011/12 research undertaken on registered charities, which informed the development of the Simple Format Reporting Standards (GAAP and non-GAAP). The current research analysed the financial statements of 306 incorporated societies, providing insights into the frequency of various revenue, expenditure, assets and liabilities items, as well as examining how these items contribute to the total revenue and expenditure of these societies. It also analysed a small number of larger incorporated societies (Tier 1 & 2). The analysis showed:

- Transactions typically entered into by incorporated societies are similar to those entered into by registered charities;
- Goods and services revenue make up the greatest proportion of revenue for incorporated societies, while service delivery costs and staff costs make up the largest proportion of their expenses;
- The types of revenue items are similar no matter the size of the incorporated society. Tier 4 incorporated societies have fewer types of expenditure items than tier 3 and tier 1 & 2 incorporated societies;
- Generally, the larger the incorporated society, the greater the diversity in its balance sheet items; and
- There was a great variety in the titles used to describe the revenue and expenditure items (see Appendix 3).

This research also found that incorporated societies are generally very small. Indeed, compared to registered charities, the proportion of incorporated societies that fall within tier 4 is higher than the proportion of registered charities that fall within tier 4. Nevertheless, while the mean expenditure of tier 4 incorporated societies is less than registered charities, the mean expenditure of tier 3 incorporated societies and registered charities is similar.

To complement the analysis of the financial reports, 10 interviews were undertaken to identify any transaction types that may have been missed, and to gauge reaction to the proposed changes. While no additional transaction types were highlighted that had not been observed in the quantitative analysis, the interviews provided necessary background to some of the more unusual types of transactions incorporated societies enter into. A selection of comments can be found in Appendix 1. The interviewees were supportive of the Simple Format Reporting Standards, highlighting also the benefits of statements of service performance and challenges in branch consolidation.

This research provides insights into New Zealand incorporated societies that are not registered charities. Although the research was limited in scope, it should be useful in aiding decision making

with respect to the proposal for incorporated societies that are not registered charities to report under the GAAP and non-GAAP standards currently in place for registered charities.

## Table of Contents

<b>Scott Riordan</b> .....	i
<b>Supervised by Associate Professor Carolyn Cordery</b> .....	i
Acknowledgements.....	i
Executive Summary.....	ii
List of Figures .....	iv
List of Tables .....	v
1. Introduction .....	1
1.1 Overview .....	1
1.2 Method .....	1
1.3 Report layout .....	3
2. Income and Expenditure Items.....	4
2.1 Income Items .....	4
2.1.1 Income frequency among incorporated societies .....	4
2.1.2 Revenue composition in incorporated societies.....	6
2.1.3 Income Comparison between Tier 4 Incorporated Societies & Tier 4 Registered Charities..	7
2.1.6 Income Comparison between Tier 3 Incorporated Societies and Tier 3 Registered Charities .....	10
2.2 Expenditure Items.....	13
2.2.1 Expenditure Comparison Across Tier 1 & 2, Tier 3, Tier 4 Incorporated Societies .....	13
2.2.2 Expenditure composition in incorporated societies .....	15
2.2.3 Expenditure Comparison between Tier 4 Incorporated Societies and Tier 4 Charities.....	17
2.2.4 Expenditure Comparison between Tier 3 Incorporated Societies & Tier 3 Registered Charities .....	19
3 Balance Sheet Items.....	22
3.1 Balance Sheet Comparison Across Tier 1 & 2, Tier 3 and Tier 4 Incorporated Societies .....	22
3.2 Balance Sheet Comparison Across Tier 4 Incorporated Societies and Charities .....	24
3.3 Balance Sheet Comparison Across Tier 3 Incorporated Societies and Charities .....	25
4. Other factors for consideration .....	26
4.1 Size Distribution .....	26
4.2 Basis of Reporting .....	28
4.3 Unusual Transactions.....	29
4.4 Reviews and Audits .....	30
4.5 Limitations.....	30

4.6 Summary ..... 30

References ..... 31

Appendix 1: Interviewee Comments ..... 32

Appendix 2 Further Revenue and Expenditure Data ..... 34

Appendix 3: Common Items found in categories ..... 41

Appendix 4: List of Incorporated Societies ..... 42

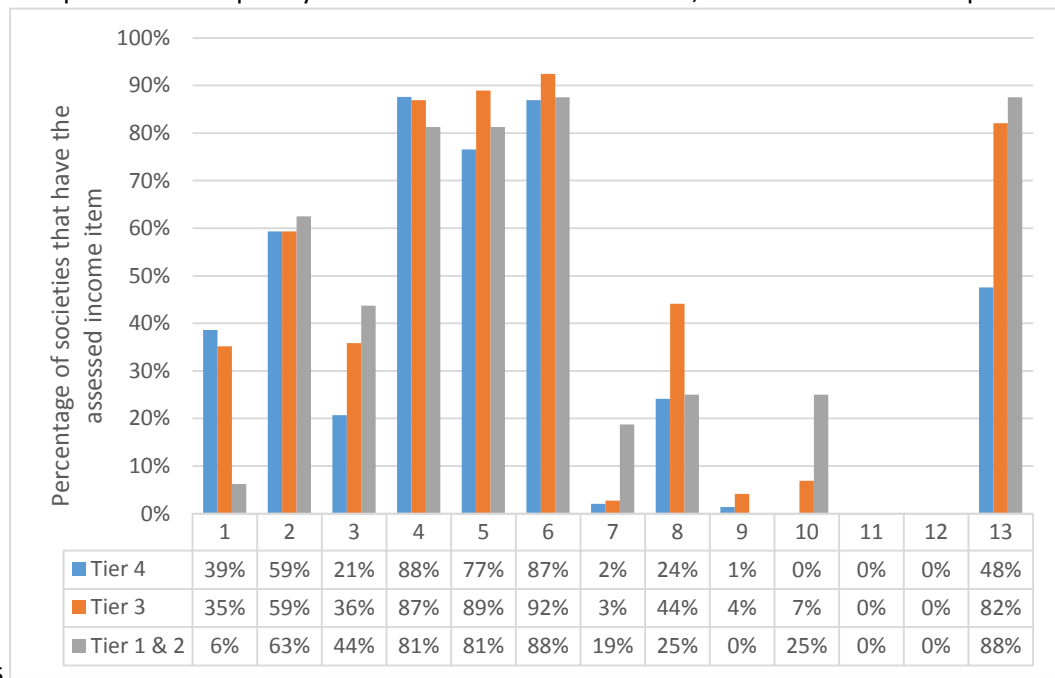
    Tier 4 Incorporated Societies ..... 42

    Tier 3 Incorporated Societies ..... 44

    Tier 1 & 2 Incorporated Societies ..... 47

## List of Figures

Figure 1: Comparison of Frequency of Revenue Items for Tier 1 & 2, Tier 3 and Tier 4 Incorporated



Societies ..... 4

Figure 2: Comparison of Percentage of Revenue Generated from each assessed item in tier 1 & 2, tier 3 and tier 4 Incorporated Societies ..... 6

Figure 3: Comparison of Frequency of Revenue Items for Tier 4 Incorporated Societies & Registered Charities ..... 8

Figure 4: Comparison of Percentage of Revenue Generated from each assessed item in Tier 4 Incorporated Societies & Registered Charities ..... 9

Figure 5: Comparison of Frequency of Revenue Items for Tier 3 Incorporated Societies & Registered Charities ..... 10

Figure 6: Comparison of Percentage of Revenue Generated for each assessed item in Tier 3 Incorporated Societies & Registered Charities ..... 11

Figure 7: Comparison of Frequency of Expenditure Items for Tier 1 & 2, Tier 3 and Tier 4 Incorporated Societies ..... 13

Figure 8: Comparison of Percentage of Expenditure for each assessed item in tier 1 & 2, tier 3 and tier 4 incorporated societies ..... 15

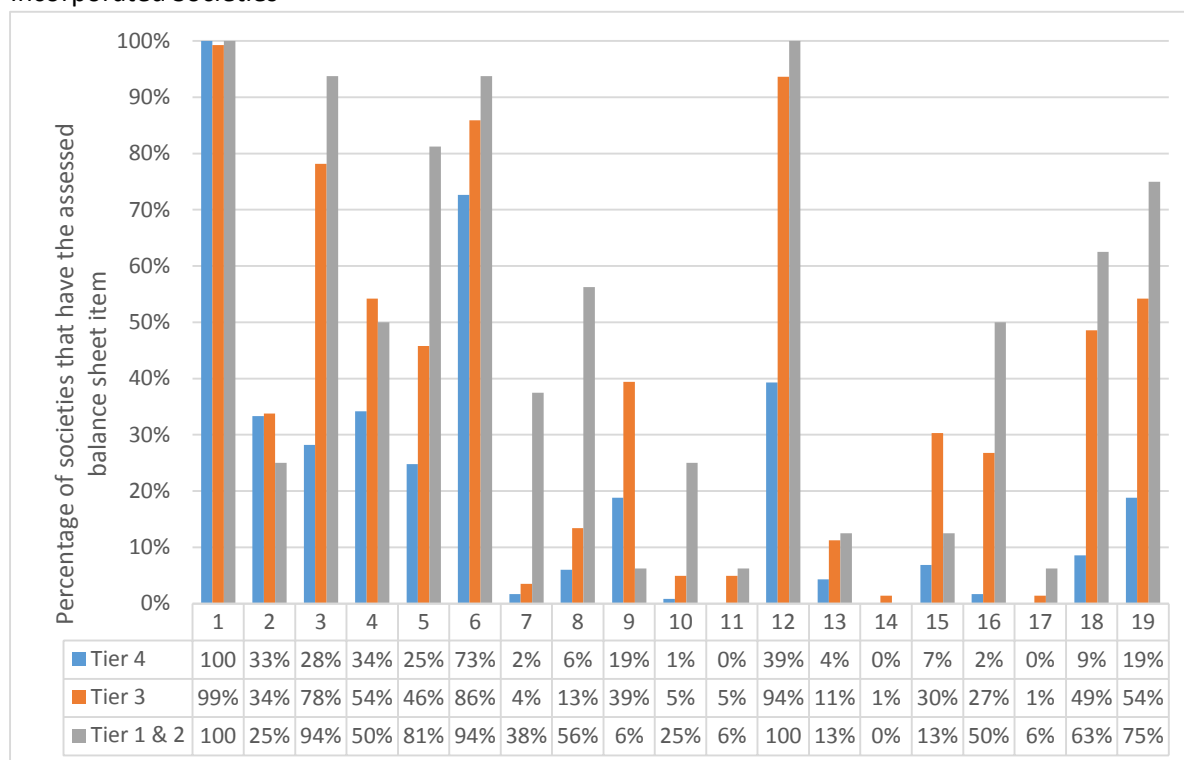
Figure 9: Comparison of Frequency of Expenditure Items for Tier 4 Incorporated Societies and Charities ..... 17

Figure 10: Comparison of Percentage of Expenditure for each assessed item in Tier 4 Incorporated Societies & Registered Charities ..... 18

Figure 11: Comparison of Frequency of Expenditure Items for Tier 3 Incorporated Societies & Tier 3 Registered Charities ..... 19

Figure 12: Comparison of Percentage of Expenditure for each assessed item in Tier 3 Incorporated Societies & Tier 3 Registered Charities ..... 20

Figure 13: Comparison of Frequency of Balance Sheet Items in Tier 4, Tier 3 and Tier 1 & 2 Incorporated Societies



..... 22

Figure 14: Comparison of Frequency of Balance Sheet Items in Tier 4 Incorporated Societies and Charities ..... 24

Figure 15: Comparison of Frequency of Balance Sheet Items in Tier 3 Incorporated Societies and Charities ..... 25

Figure 16: Comparison of Percentage of Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in Total Expenditure bands ..... 26

Figure 17: Size Distribution of tier 4 Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in respect of Total Expenditure..... 27

Figure 18: Size Distribution of tier 3 Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in respect of Total Expenditure..... 28

## List of Tables

Table 1 Incorporated Societies and Registered Charities Crosstabulation..... 2

Table 2: Range of dollar values of revenue and expenditure in tier 4 incorporated societies..... 35

Table 3: Range of dollar values of revenue and expenditure items in tier 3 incorporated societies... 36

Table 4: Range of dollar values of revenue and expenditure items in tier 1 & 2 incorporated societies .....	37
Table 5: Range of dollar value of balance sheet items in tier 4 incorporated societies .....	38
Table 6: Range of dollar value of balance sheet items in tier 3 incorporated societies .....	39
Table 7: Range of dollar value of balance sheet items in tier 1 & 2 incorporated societies .....	40

# 1. Introduction

## 1.1 Overview

While approximately 60 per cent of New Zealand's not-for-profit sector (including charities) are unincorporated entities, some 22 per cent of the sector are incorporated societies (Statistics New Zealand 2007). The *Incorporated Societies Act 1908* "has been a New Zealand success story. When it was enacted it was regarded as world leading and innovative" (New Zealand Law Commission 2013, p.iv). Incorporation allows not-for-profit member associations to take corporate form, limiting members' liability, safeguarding property and making provisions for how a society's property is to be disposed of if it is wound up or dissolved (New Zealand Government 1908). Nevertheless, the accounting requirements for their annual return to the Incorporated Societies registrar are basic (requiring only statements of income and expenditure and assets and liabilities), and there have been many calls for these and other legal provisions to be updated to reflect modern practice (New Zealand Law Commission 2013).

A Consultation Draft of a new Bill has been issued and it suggests that, following enactment, Incorporated Societies be required to apply generally accepted accounting practice (GAAP) or non-GAAP standards as described under the Financial Reporting Act 2013 (New Zealand Government 2015). The External Reporting Board (XRB) issues these standards, and registered charities (some of which are also incorporated societies) must follow specific not-for-profit public benefit entity (PBE) standards for years beginning on or after 1 April 2015.<sup>1</sup>

Hence, the XRB and Victoria University of Wellington commissioned this research, examining the typical transactions of incorporated societies that are not registered charities. The aim of this research was to explore the typical transactions of incorporated societies and compare those transactions to those in registered charities, which would allow the XRB to assess the applicability of its standards to the wider population of incorporated societies.

The structure of the research project was based around an analogous study performed in 2012, which examined the typical transactions of charities (Cordery 2012). Following a similar methodology to the charities study, incorporated societies were randomly selected from the society's database as outlined below.

## 1.2 Method

The research question "What are the typical transactions for incorporated societies in New Zealand that are not registered charities?" was answered through a three-stage analysis of selecting a sample, analysing the financial statements of that sample, and undertaking interviews of experts.

In order to locate a random sample of incorporated societies, a list of all currently registered incorporated societies was obtained from the Ministry of Business, Innovation and Employment as at 7 August 2015. To ascertain the non-charity population of incorporated societies, a copy of the charities register was downloaded from DIA Charities Services as at 29 July 2015 for those entities that had filed annual returns in the year. The two register files were compared based on matching the incorporated society number.<sup>2</sup> Table 1 below shows that, of the 23,695 incorporated societies, 6,664 were registered charities.

---

<sup>1</sup> These are the Tier 1 & 2 PBE IPSAS and other standards, as well as Tier 3 and Tier 4 (non-GAAP) NFP Simple Format Reporting Standards.

<sup>2</sup> As registered charities file with DIA Charities Services and are exempted from their Incorporated Societies filing obligations, we had to assume that this matching adequately identified incorporated societies that

*Table 1 Incorporated Societies and Registered Charities Crosstabulation*

		Charity Number		Total
		No	yes	
Incorporated Society	no	0	11349	11349
	yes	17031	6664	23695

Then, a random sample of the population of incorporated societies that are not registered charities (17,031) was extracted in ten groups of 300, where each group of 300 was randomly extracted from the whole population.

Taking this file, the incorporated societies website ([www.societies.govt.nz](http://www.societies.govt.nz)) was used to access the accounts of the randomly selected incorporated societies. Each incorporated society on the list had its accounts examined, those that filled the sample criteria were selected for further analysis. The criteria was to have 145 incorporated societies that are not charities from Tier 4, Tier 3, and no fewer than 10 from Tiers 1 or 2. Any society that had not filed a report on or after the 31<sup>st</sup> March 2014 was excluded from further analysis, as were any societies that had no transactions other than those relating to bank fees or interest. This required inspection of the annual operating expenditure of 2,021 societies. For the purposes of this study, incorporated societies were deemed to be tier 4 if they had an expenditure less than \$125,000, tier 3 if they had expenditure between \$125,000 and \$2,000,000 and tier 1 & 2 with expenditure greater than \$2,000,000. These are the same thresholds currently in place for charities. All incorporated societies in the final data set were checked against the charities register to ensure no charities that are also incorporated societies were included in the analysis.

The sample size (145 tier 4, 145 tier 3 and 10 tier 1 & 2) was selected based on assumptions made about the incorporated societies register from the charities register, that 3.5% of the population falls into Tier 1 or 2, and 3.5% of 300 is 10 entities. In the event, incorporated societies are smaller than registered charities and this may have resulted in over-sampling these larger entities, especially as, in the event, 16 tier 1 & 2 entities were selected out of 306 in total.

Once the financial accounts were downloaded for the chosen sample, their revenue, expenditure and balance sheet data (where present) were re-keyed into a spreadsheet with similar columns to the research that was undertaken on registered charities for the XRB in 2011/12 (see Cordery 2012). Following this, the data was analysed by graphing the frequency and size of these financial elements from the financial statements. The comparison to registered charities was made using data obtained from Cordery (2012) (also commissioned by the XRB and Victoria University of Wellington), which looked at the typical transactions of registered charities. However, as the tier system was not in place at the time the registered charities research was undertaken, the expenditure ranges used to group the data differs between the two studies. To correct this, the registered charities data was

---

were also registered charities. Nevertheless, 3,774 registered charities which were registered as a “Society or Institution”, did not have a corresponding incorporated societies number, therefore when we moved to stage two, it was necessary to double check that any incorporated society chosen for the sample was not a charity (it is likely that these are Charitable Trust Boards).



reorganised so that it fit into the tiers used in this study. To line up with the criteria used in the current study, registered charities that had no transactions other than those relating to bank fees or interest were also excluded from the comparison.

In order to ensure the final sample was, as far as possible, representative across the population, the final sample was probed to ascertain whether it met the assumed diversity of the sector. The New Zealand Law Commission (2013, p.46) notes that it received submissions from and talked to a range of incorporated societies, incorporated charitable trust boards and charitable societies which included:

- national sporting bodies that are responsible for multi-million dollar budgets;
- racing clubs that organise major events;
- social service organisations that provide services to the community rather than necessarily providing services to their members;
- health-based organisations that provide services to the general public or those affected by a particular condition, or support those who are caring for those with particular conditions;
- professional bodies that may have a quasi-regulatory role like Law Societies;
- private clubs;
- industry groups that may represent particular industries or coordinate participants in a particular industry; and
- small sporting, hobby or community groups that may, or may not, have assets.

The Law Commission also noted that Trade Unions must register as incorporated societies (para 3.4).

It was found that the sample selected was diverse and covered the above types of organisations (see Appendix 4). Accordingly, no additional financial statements were required to be downloaded.

To complement the data obtained from analysis of the accounts, ten interviews were undertaken with individuals. Interviewees were accountants and/or experts heavily involved in the incorporated societies sector. These interviewees were (a) told about the project and the preliminary findings from the data analysis, (b) asked whether these are 'typical' transactions in their part of the sector, and (c) asked what other transactions they would come across in the sector that have not been covered. The purpose of these interviews was to identify if any typical transactions may have been missed from the sample analysed, as well as gauge reactions to the proposed changes.

Preliminary findings from this research were also presented at a seminar run by Victoria University Centre for Accounting, Governance and Taxation Research on February 24, 2016.

### 1.3 Report layout

The following report is set out in four sections. Section 2 examines the typical income and expenditure items that appear in the accounts of tier 4, tier 3 and tier 1 & 2 incorporated societies, subsequently comparing these transactions to those found in Cordery's (2012) registered charity study. Section 3 examines these same societies, except with regard to their balance sheet items. Section 4 evaluates the size distribution of the incorporated societies register, the varying approaches these societies use to prepare their financial statements, notes limitations and provides concluding remarks. Appendices containing a summary of the interviewees' comments, a list of incorporated societies used in the research and descriptive statistics for the sample, are also provided.

## 2. Income and Expenditure Items

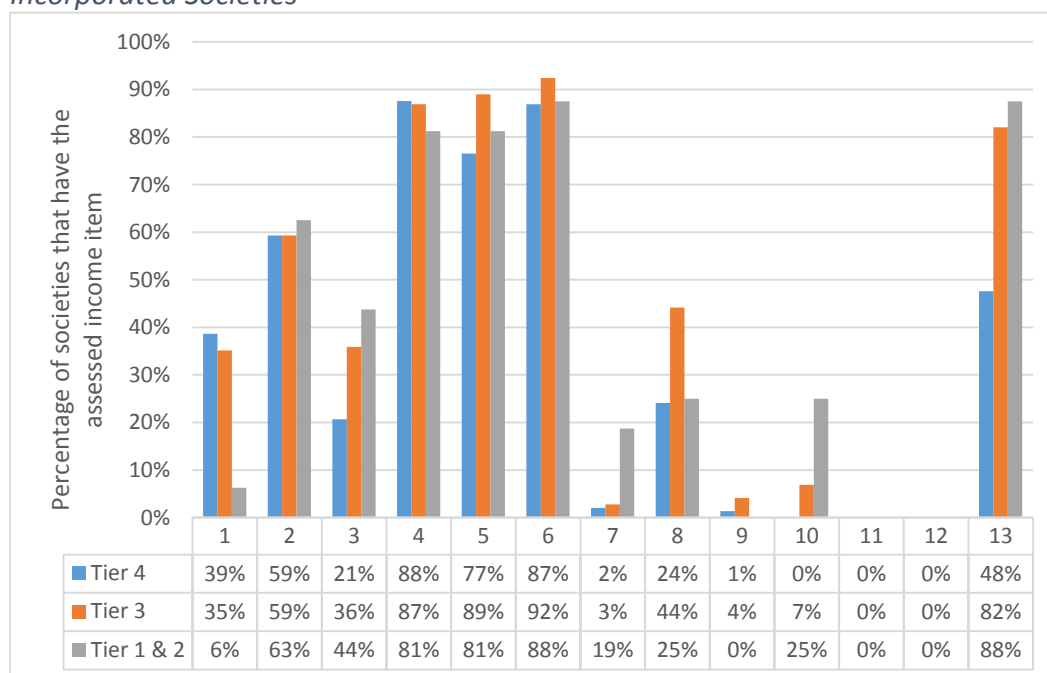
This section examines the typical income and expenditure items found in incorporated societies. Each of tier 4, tier 3, and tier 1 & 2 incorporated societies will be discussed in turn. This is followed by comparative analysis of the different sized incorporated societies, as well as a comparison of how the income and expenditure of incorporated societies differs from charities. In each case, both the frequency of transactions occurring and the percentage of revenue generated from those transactions are examined.

### 2.1 Income Items

#### 2.1.1 Income frequency among incorporated societies

The typical transactions that incorporated societies enter into were examined by sorting the varying account items in their financial statements into predefined categories as used in the registered charity study (Cordery 2012). (As this required re-sorting some items, Appendix 3 explains the common items found in some of the more ambiguous categories). The percentage of societies which had each of the category items is presented graphically in Figure 1 below.

*Figure 1: Comparison of Frequency of Revenue Items for Tier 1 & 2, Tier 3 and Tier 4 Incorporated Societies*



1	Fundraising from public	8	Rental income
2	Other donations & grants	9	Other investment income
3	Subcategory sponsorship, if provided	10	Gain on sale of assets/ revaluations
4	Fees from members	11	Bequests
5	Revenue from goods & services	12	Income as budget holder for another organisation
6	Interest income	13	Other revenue
7	Dividend income		

The most common account item for tier 4 incorporated societies is (i) fees from members (88%), this is followed closely by (ii) interest income (87%) and (iii) revenue from goods and services (77%). Fundraising from public is present in 39% of accounts, but this may be inflated by the inclusion of raffle income in this category, which could include income from both the public and members (but the source is not able to be differentiated). Other account items that were reasonably common were donations and grants (59%), sponsorship (21%) and rental income (24%). There were no gain on sale/revaluations, bequests, or income as a budget holder for another organisation.

The three most common account items in tier 3 incorporated societies are the same as in tier 4, although their order of frequency is switched. They are (i) interest income (92%), (ii) revenue from goods and services (89%) and (iii) fees from members (87%). Donations and grants, sponsorship, fundraising from public and rental income are also reasonably common transactions at 59%, 36%, 35% and 44% respectively. Like tier 4 there were no bequests or income as a budget holder for another organisation. However, unlike tier 4, a number of tier 3 incorporated societies had gain on sale of assets/revaluations (7%).

Like tier 3 and 4, the three most common items (excluding 'other income') found in tier 1 & 2 accounts are, (i) interest income (88%), (ii) revenue from goods and services (81%) and (iii) fees from members (81%). Donations and grants (63%), sponsorship (44%), rental income (25%), gain on sales of assets/revaluations (25%) and dividend income (19%) all appear reasonably commonly. Fundraising from the public occurs rarely in tier 1 & 2 incorporated societies (6%), while other investment income, bequests, and income as a budget holder for another organisation were absent altogether.

The frequency of 'other revenue' was very high in both tier 1 & 2 (87.5%) and tier 3 (82%). This is in part due to a large number of societies having generic account names (i.e. general, sundry and miscellaneous) in their financial statements (see Appendix 3 for details on other items present). When comparing the frequency of revenue items between tier 1 & 2, tier 3 and tier 4 incorporated societies, it can be seen that:

- The frequency of revenue from goods and services, donations and grants, fees from members and interest income is similar, no matter the size of the incorporated society;
- The number of societies receiving sponsorship tends to increase as the incorporated societies get larger (21%, 36% and 44% for tier 4, tier 3 and tier 1 & 2 respectively);
- Fundraising from the public is much more common in tier 4 and tier 3 than it is in tier 1 & 2 incorporated societies (39% and 36% compared to 6%);
- Gain on sale of assets/revaluations occurs more frequently in larger incorporated societies (0%, 7% and 25% for tier 4, tier 3 and tier 1 & 2 respectively);
- The frequency of rental income peaks in tier 3 incorporated societies (44% for tier 3 compared with 24% and 25% for tier 4 and tier 1 & 2 respectively); and
- Tier 4 and 3 incorporated societies less likely to receive revenue from dividends than tier 1 & 2 (2%, 3% and 19% respectively).

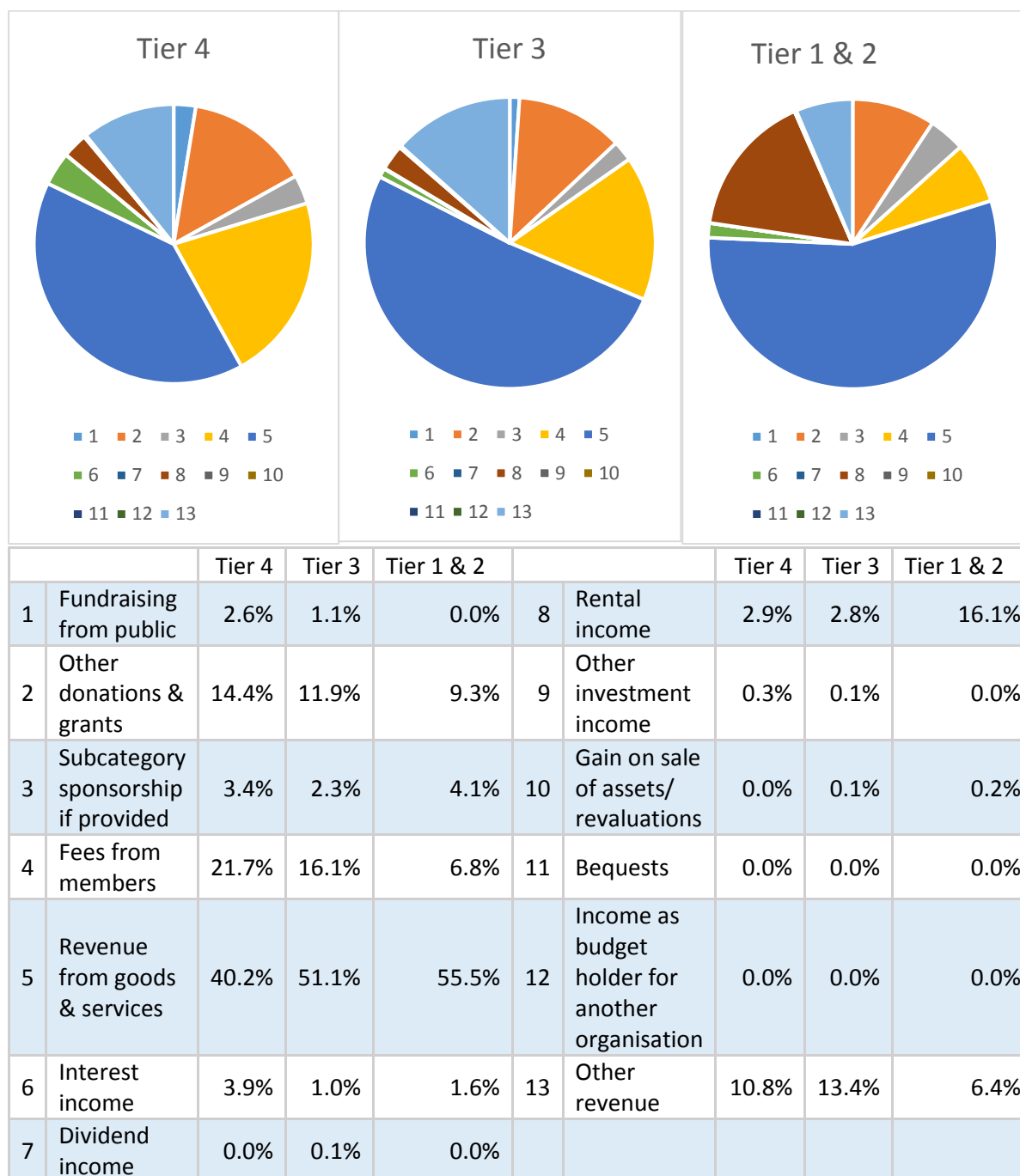
With regard to the above, it should be noted that, as mentioned previously, fundraising from the public includes raffles. As small amounts are gained from these types of transactions, this is likely to be the reason that fundraising from the public is more common in smaller incorporated societies. Furthermore, the difference in rental income is, potentially, a result of the larger (tier 3) incorporated societies being more likely to own property and rent it out when not in use to generate extra income (e.g. sports clubroom or town hall). However, larger tier 1 & 2 societies appear to be less likely to rent property out, as fewer entities record this revenue item.

### 2.1.2 Revenue composition in incorporated societies

The previous section discusses the frequency of transactions from various sources, which is not representative of the proportion of total income obtained from these sources. This is addressed in the following section.

Figure 2 shows the revenue in a particular category as a percentage of the total revenue of the research sample for each tier (e.g. 14.4% of the revenue generated by the tier 4 incorporated societies sampled is obtained through donations and grants).

*Figure 2: Comparison of Percentage of Revenue Generated from each assessed item in tier 1 & 2, tier 3 and tier 4 Incorporated Societies*



For tier 4 incorporated societies, the largest contributor to total income is revenue from goods and services (40.2%). Furthermore, fees from members (21.7%) and donations and grants (14.4%) also make significant contributions. Interest income, which is the second most frequent of the income items, accounts for less than 3.9% of the total income. Similarly, the contribution from rental income (2.9%) and fundraising from the public (2.6%) is small, given that 24% of tier 4 incorporated societies have some form of rental income and 39% of revenue is derived from fundraising from the public. This suggests that although these transactions are reasonably widespread among tier 4 incorporated societies, the revenue gained from them is relatively small.

As was seen in tier 4, the majority of revenue in tier 3 incorporated societies is derived from revenue from goods and services (51%), fees from members (16%) and donations and grants (12%). Like tier 4 these three income items account for over 75% of the total revenue acquired by tier 3 incorporated societies. 'Other revenue' (13%) aside, the remaining items are all individually responsible for less than 3% of the incoming revenue. Rental income, which appears almost twice as frequently in tier 3 incorporated societies (44% vs. 24% in tier 4), only makes up 2.8% of revenue, which is similar to the tier 4 incorporated societies. The mean dollar value of rental income in tier 3 societies was \$37,772 with a large standard deviation of \$74,523, demonstrating the wide diversity present in the sample when it comes to rental income.

Across the tier 1 & 2 incorporated societies sampled, revenue from goods and services comprises the largest proportion of income (55.5%). Donations and grants (9.3%), fees from members (6.8%) and sponsorships (4.1%) make up around 20% of the total revenue. Rental income makes up 16% of the revenue generated by the tier 1 & 2 incorporated societies sampled. This is significantly more than the sub 3% for tier 3 and 4 incorporated societies. However, due to the small sample size of tier 1 & 2 incorporated societies, this value is heavily influenced by a single entry of \$34,335,465, which accounts for 99% of the revenue obtained from rental revenue across the tier 1 & 2 societies sampled. In the absence of this value, the rental revenue generated by tier 1 & 2 incorporated societies would represent just 0.2% of the total revenue generated.

### 2.1.3 Income Comparison between Tier 4 Incorporated Societies & Tier 4 Registered Charities

In order to gain a better understanding of the similarities and differences that exist between incorporated societies and charities, Figures 3 and 4 directly compare the tier 4 incorporated societies with the tier 4 registered charities from Cordery (2012) (as adjusted). Figure 3 outlines the frequency of transactions, while Figure 4 shows the amount in each category as a percentage of total revenue in tier 4.

Figure 3 shows that tier 4 incorporated societies also undertake the types of transactions entered into by tier 4 registered charities<sup>3</sup>, although differences exist in the frequency of certain transactions. These include:

- There is a large difference in the frequency of fees from members as a revenue item. It is present in 88% of tier 4 incorporated societies, compared to just 31% for tier 4 registered charities;
- A larger number of tier 4 incorporated societies receive revenue from goods and services (77% compared to 46% of registered charities);

---

<sup>3</sup> Some of the sample of registered charities were incorporated societies, but none of the incorporated societies in this sample were registered charities.

- Tier 4 incorporated societies are less likely to receive donations and grants (59% compared to 73% of registered charities). However, they are more likely to receive sponsorship (21% compared to 8%);
- Both have a similar frequency of fundraising from the public (39% for incorporated societies and 36% for registered charities); and
- The number of bequests is non-existent for incorporated societies and low for charities (0% and 1%).

Figure 3: Comparison of Frequency of Revenue Items for Tier 4 Incorporated Societies & Registered Charities

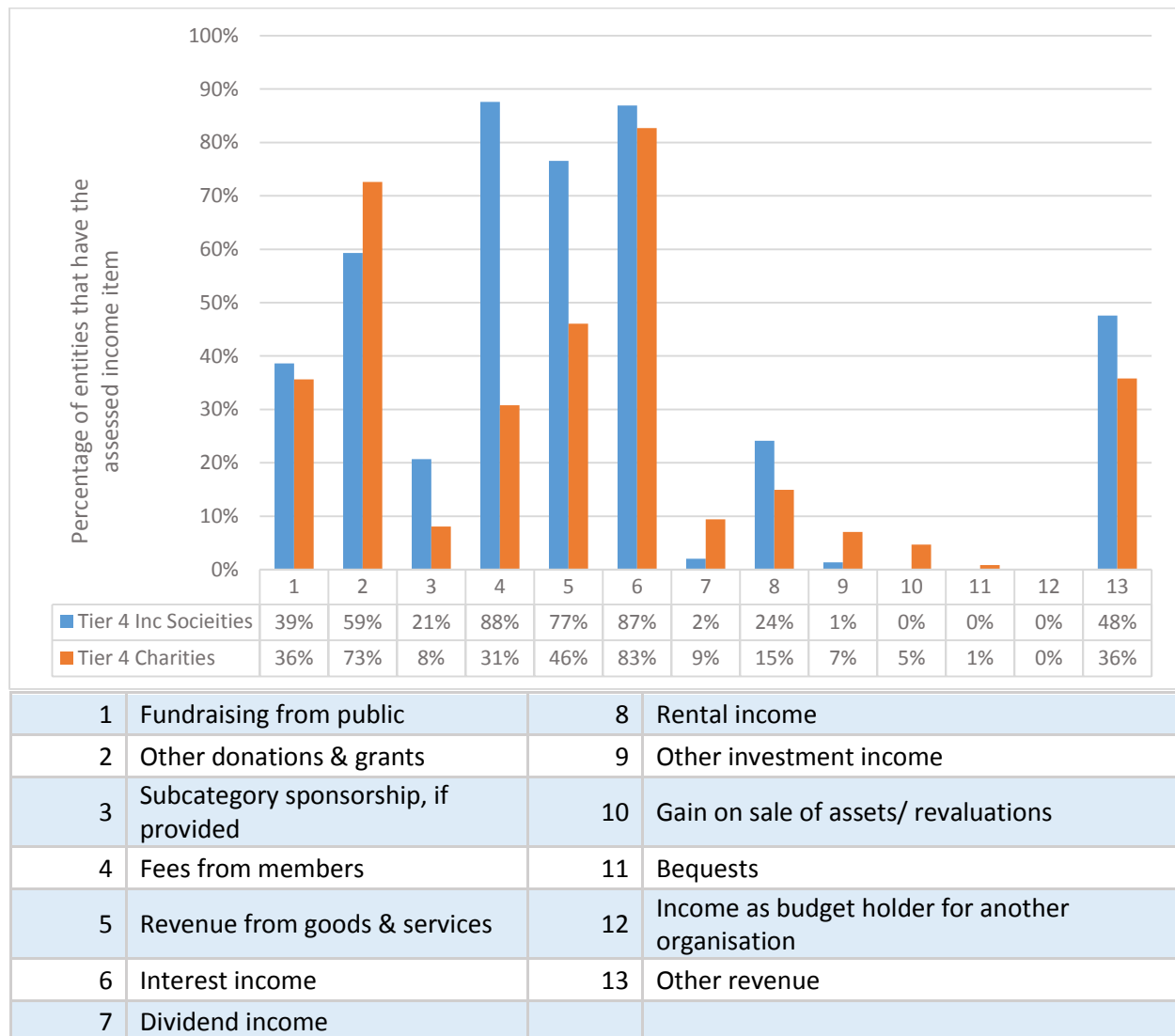
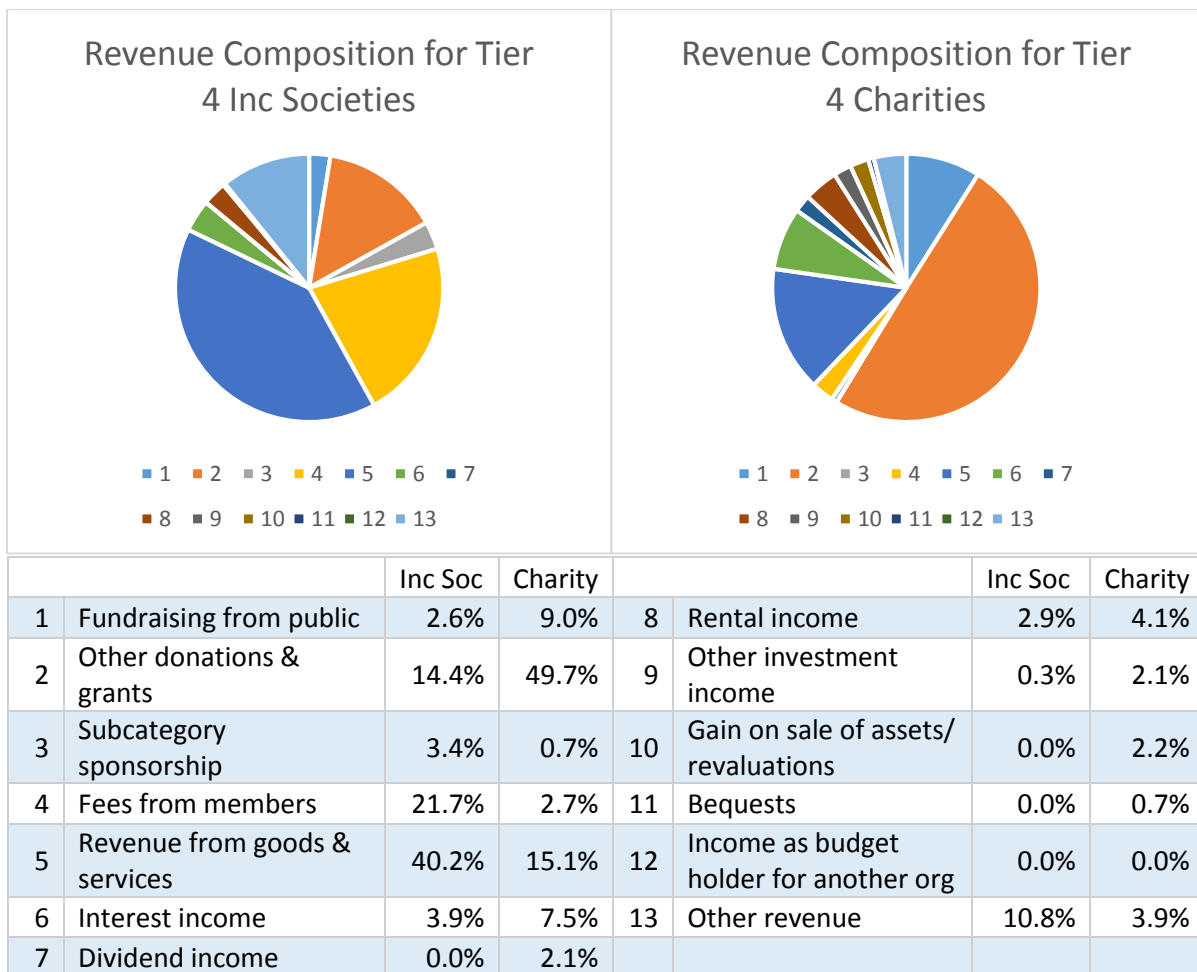


Figure 4 shows the revenue in a particular category as a percentage of the total revenue of the research samples for tier 4 incorporated societies and registered charities. The major comparison points are:

- Incorporated societies receive significantly less of their total income from donations and grants (14% compared to 50% in registered charities). This is despite Figure 3 showing the frequency of donations and grants to be reasonably similar (59% compared to 73%);

- Fundraising from the public contributes less towards incorporated societies' revenue than it does in registered charities (3% compared to 9%), even though slightly more incorporated societies generate revenue through fundraising (39% vs 36%);
- Fees from members represent a larger portion of incorporated societies' revenue (22% compared to 3% in registered charities), as does sponsorship (3% compared to 1%); and
- Incorporated societies generate 40% of their income from goods and services compared to 15% in registered charities. This is despite income from goods and services being the second largest revenue source (as a percentage of total revenue) for registered charities.

Figure 4: Comparison of Percentage of Revenue Generated from each assessed item in Tier 4 Incorporated Societies & Registered Charities

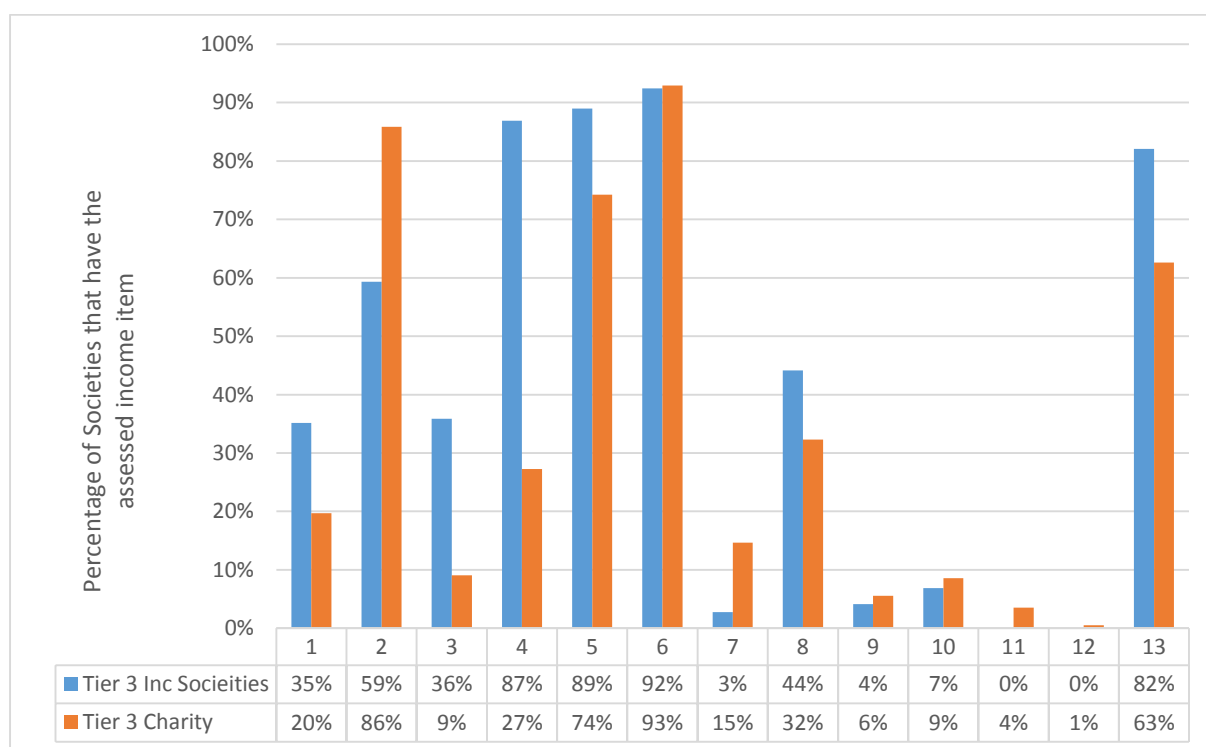


### 2.1.6 Income Comparison between Tier 3 Incorporated Societies and Tier 3 Registered Charities

Along with the comparison of tier 4 incorporated societies and tier 4 charities (above in section 2.1.3), the similarities and differences between tier 3 incorporated societies and tier 3 charities were also compared. Figure 5 below shows the incidence of transactions in tier 3 incorporated societies and tier 3 charities. It shows that the differences highlighted in section 2.1.3 largely hold true for tier 3. The key points include:

- Member fees are more common in tier 3 incorporated societies than tier 3 charities (87% compared to 27%);
- Dividend income is less common in tier 3 incorporated societies than it is in tier 3 charities (3% compared to 15%); and
- There are no bequests for tier 3 incorporated societies and only a small amount in tier 3 charities (4% compared to 0%).

*Figure 5: Comparison of Frequency of Revenue Items for Tier 3 Incorporated Societies & Registered Charities*



1	Fundraising from public	8	Rental income
2	Other donations & grants	9	Other investment income
3	Subcategory sponsorship, if provided	10	Gain on sale of assets/ revaluations
4	Fees from members	11	Bequests
5	Revenue from goods & services	12	Income as budget holder for another organisation
6	Interest income	13	Other revenue
7	Dividend income		



Some of the differences between tier 3 incorporated societies and tier 3 charities include:

- Tier 3 incorporated societies receive less from donations and grants (59% compared to 86% for registered charities), also receiving more sponsorship (36% compared to 9% for registered charities);
- Tier 3 incorporated societies generate more revenue from goods and services than tier 3 charities (89% compared to 74%); and
- Fundraising from the public is more common in tier 3 incorporated societies than tier 3 charities (35% compared to 20%).

Figure 6: Comparison of Percentage of Revenue Generated for each assessed item in Tier 3 Incorporated Societies & Registered Charities

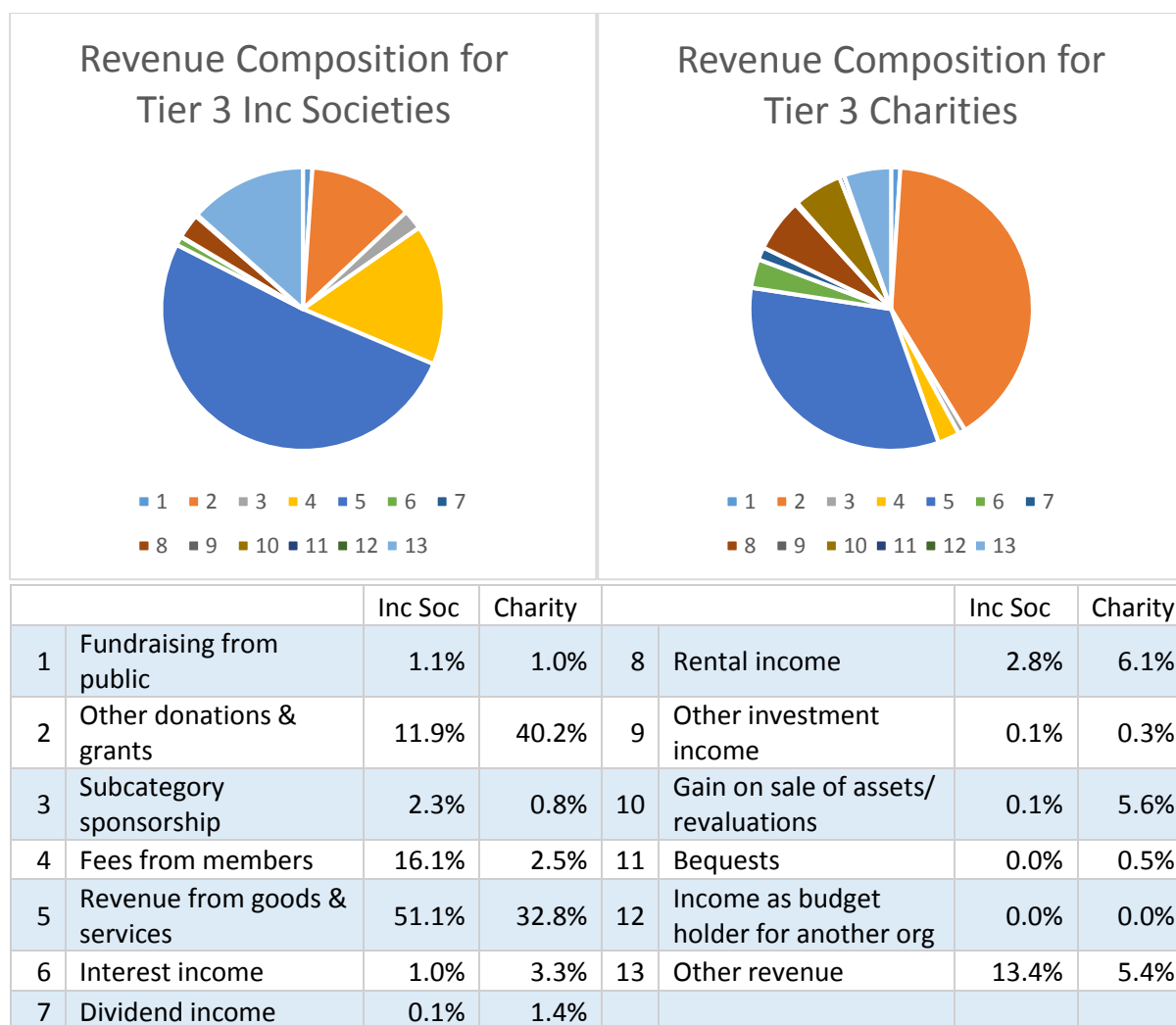


Figure 6 shows the revenue in a particular category as a percentage of the total revenue of the research samples for tier 3 incorporated societies and tier 3 registered charities. The major comparison points are:

- Revenue from goods and services comprises a significant portion of revenue for both tier 3 incorporated societies and tier 3 charities. Although, as in the tier 4 comparison, it is responsible for a greater proportion of revenue in tier 3 incorporated societies (51.1% compared to 32.8% of registered charities);

- Donations and grants are a significant source of revenue for both tier 3 incorporated societies and tier 3 charities. However, it contributes significantly less revenue to incorporated societies than it does to registered charities (12% compared to 40%);
- Tier 3 incorporated societies receive a larger amount of their income through fees from members compared to tier 3 registered charities (16% compared to 3%); and
- Gain on sale of assets/revaluations contributes less to tier 3 incorporated societies than it does to tier 3 charities' revenue (0.1% compared to 6%), as does rental income (3% vs 6%)

As tier 1 & 2 charities were not examined in the prior study, no comparison is provided for them.

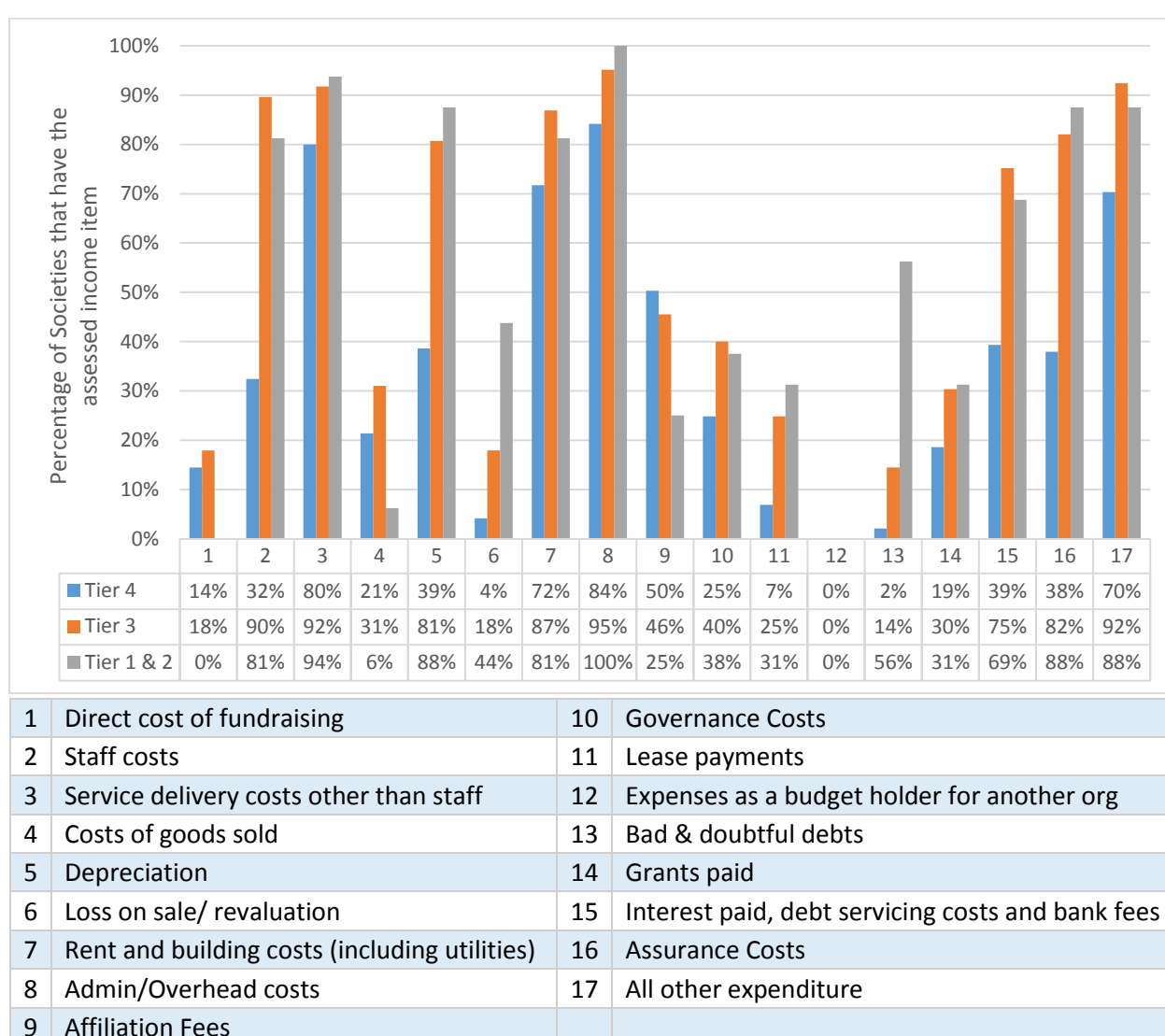
## 2.2 Expenditure Items

This section follows the same structure as the previous section on income. It involves examining the frequency of account items in the each of the incorporated society tiers and the percentage of expenditure from these account items. It also compares how these account items vary with respect to charities.

### 2.2.1 Expenditure Comparison Across Tier 1 & 2, Tier 3, Tier 4 Incorporated Societies

The typical transactions incorporated societies enter into were examined by sorting the varying account items in their financial statements into predefined categories (Appendix 3 explains the common items found in some of the more ambiguous categories). The percentage of tier 4 societies which have each of the expenditure category items is presented graphically in Figure 7.

*Figure 7: Comparison of Frequency of Expenditure Items for Tier 1 & 2, Tier 3 and Tier 4 Incorporated Societies*



The most common expenditure item for tier 4 incorporated societies was administration/overhead costs (84%). This was followed closely by service delivery costs (80%) and rent and building costs (72%). Approximately 50% of the tier 4 incorporated societies sampled had affiliation fees, which reflects the large number of sports clubs and professional bodies present in the sample. Other costs that are reasonably common throughout tier 4 incorporated societies include depreciation (39%),

assurance costs (38%), staff costs (32%) and governance costs (25%). Lease payments, loss on sale/revaluation and bad and doubtful debts only occurred in less than 10% of the tier 4 incorporated societies sampled.

A number of expenditure items are common in tier 3 incorporated societies, these include: (i) staff costs (90%), (ii) service delivery costs (92%), (iii) depreciation (81%), (iv) rent and building costs (87%), (v) administration and overheads (95%), (vi) interest paid, debt servicing and bank fees (75%), and (vii) assurance costs (82%). However, it should be noted that accountancy fees are included under assurance cost (section 4 examines the frequency of audit reports throughout the varying tiers in detail). Expenses as a budget holder for another organisation is the only item that is not present in at least 10% of the tier 3 incorporated societies sampled. This shows that tier 3 incorporated societies have a more diverse set of transactions than those of tier 4.

Six expenditure items are present in 80% or more of the tier 1 & 2 incorporated societies sampled, with the administration/overhead costs being present in 100% of societies sampled. The remaining five include; (i) staff costs (81%), (ii) service delivery costs (94%), (iii) depreciation (88%), (iv) rent and building costs (81%) and (v) assurance costs (88%). The direct cost of fundraising (0%) is absent which corresponds to the low frequency of fundraising revenue (10%). Cost of fundraising, along with cost of goods sold, and expenses as a budget holder for another organisation, were the only three not to be represented in the sample at all. The use of specific account titles may be related to custom, and old accounting standards requiring specific disclosure.

When comparing the frequency of expenditure items between tier 1 & 2, tier 3 and tier 4 incorporated societies, it can be seen that:

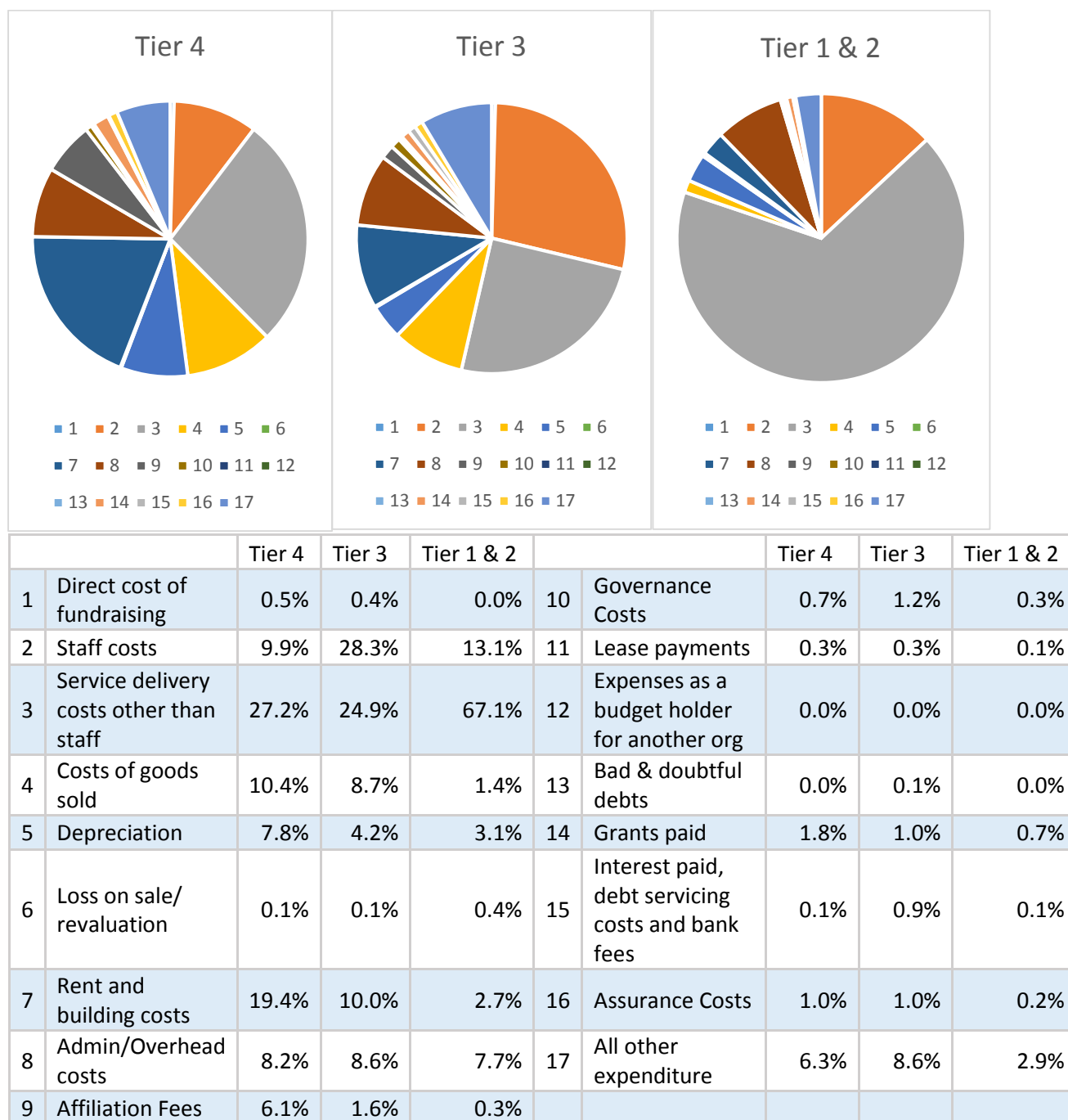
- There are multiple costs which have a significantly lower frequency in tier 4 than in tier 3 and tier 1 & 2 incorporated societies, these include:
  - Staff costs (32% in tier 4, compared to 90% in tier 3 and 81% in tier 1 & 2)
  - Depreciation (39% in tier 4, compared to 81% and 88% in tier 3 and tier 1 & 2 respectively)
  - Interest paid, debt servicing costs and bank fees (39% in tier 4, compared to 75% and 69% in tier 3 and tier 1 & 2 respectively)
  - Assurance costs (38% in tier 4, compared to 82% and 88% in tier 3 and tier 1 & 2 respectively)
- Loss on sale/revaluation increases significantly as the size of the incorporated society increases (4% for tier 4, 18% for tier 3 and 44% for tier 1 & 2), as does bad and doubtful debts (2% for tier 4, 14% for tier 3 and 56% for tier 1 & 2);
- The frequency of service delivery costs is reasonably consistent throughout all tiers, increasing slightly as the size of the incorporated society increases (80% for tier 4, 92% for tier 3 and 94% for tier 1 & 2). The same result is seen in administration and overhead costs (84% in tier 4, 95% in tier 3 and 100% in tier 1 & 2); and
- Affiliation fees is more common in smaller incorporated societies (50% for tier 4 and 46% for tier 3). However, it drops off sharply in larger incorporated societies (25% for tier 1 & 2).

### 2.2.2 Expenditure composition in incorporated societies

The previous section discusses the frequency of transactions from various sources, which is not representative of the proportion of total expenditure from these sources. This is addressed in the following section.

Figure 8 shows the expenditure in a particular category as a percentage of the total expenditure of the research sample for each tier (e.g. 27.2% of the expenses incurred by the tier 4 incorporated societies sampled is due to service delivery costs other than staff).

Figure 8: Comparison of Percentage of Expenditure for each assessed item in tier 1 & 2, tier 3 and tier 4 incorporated societies



The most significant expense incurred by tier 4 incorporated societies was service delivery costs (27%), which, along with costs of goods sold (10%), accounted for more than a third of the total expenses. There were a number of other items responsible for a large proportion of expenditure, these include: (i) rent and building costs (19%), (ii) staff costs (10%), (iii) administration/ overheads (8%), (iv) depreciation (8%) and (v) affiliation fees (6%). Excluding 'all other expenditure' (6.3%), the remaining items all account for less than 5% of the total expenditure combined. The actual expenditure relating to governance costs is likely to be higher than the 0.7% found in this study, as it is likely that most incorporated societies will have some types of costs associated with the governance of the society. However, only 25% of societies report costs that could be allocated to governance (e.g. AGM meeting costs). One of the interviewees was of the opinion that the costs of governing the society should be disclosed separately.

In comparison to tier 4 incorporated societies, service delivery costs (25%) accounted for a similar portion of total expenditure in tier 3 incorporated societies. However, the greatest expense incurred was staff costs (28%). Rent and building costs (10%), cost of goods sold (9%), administration/overheads (9%) and depreciation (5%) were all responsible for a reasonable proportion of total expenditure. However, as was the case for tier 4, the remaining items collectively account for very little of the total expenditure.

The expenditure in the tier 1 & 2 incorporated societies sampled is dominated by service delivery costs (67%), with staff costs (13%) and administration costs/overhead costs (8%) the only other major contributors. However, as noted earlier, due to the small sample size for tier 1 & 2 incorporated societies, large transactions in a given category can make a big difference to the final figures. In the case of service delivery costs, a single entity recorded an entry of \$71,582,270. This single entry accounts for 58% of the total service delivery costs. Thus, has a huge influence on the final figure for this category.

### 2.2.3 Expenditure Comparison between Tier 4 Incorporated Societies and Tier 4 Charities

In order to further understand the similarities and differences between incorporated societies and registered charities, Figures 9 and 10 directly compare the tier 4 incorporated societies to tier 4 registered charities. Figure 9 outlines the frequency of transactions occurring, while Figure 10 shows the percentage of expenditure in each category.

Figure 9: Comparison of Frequency of Expenditure Items for Tier 4 Incorporated Societies and Charities

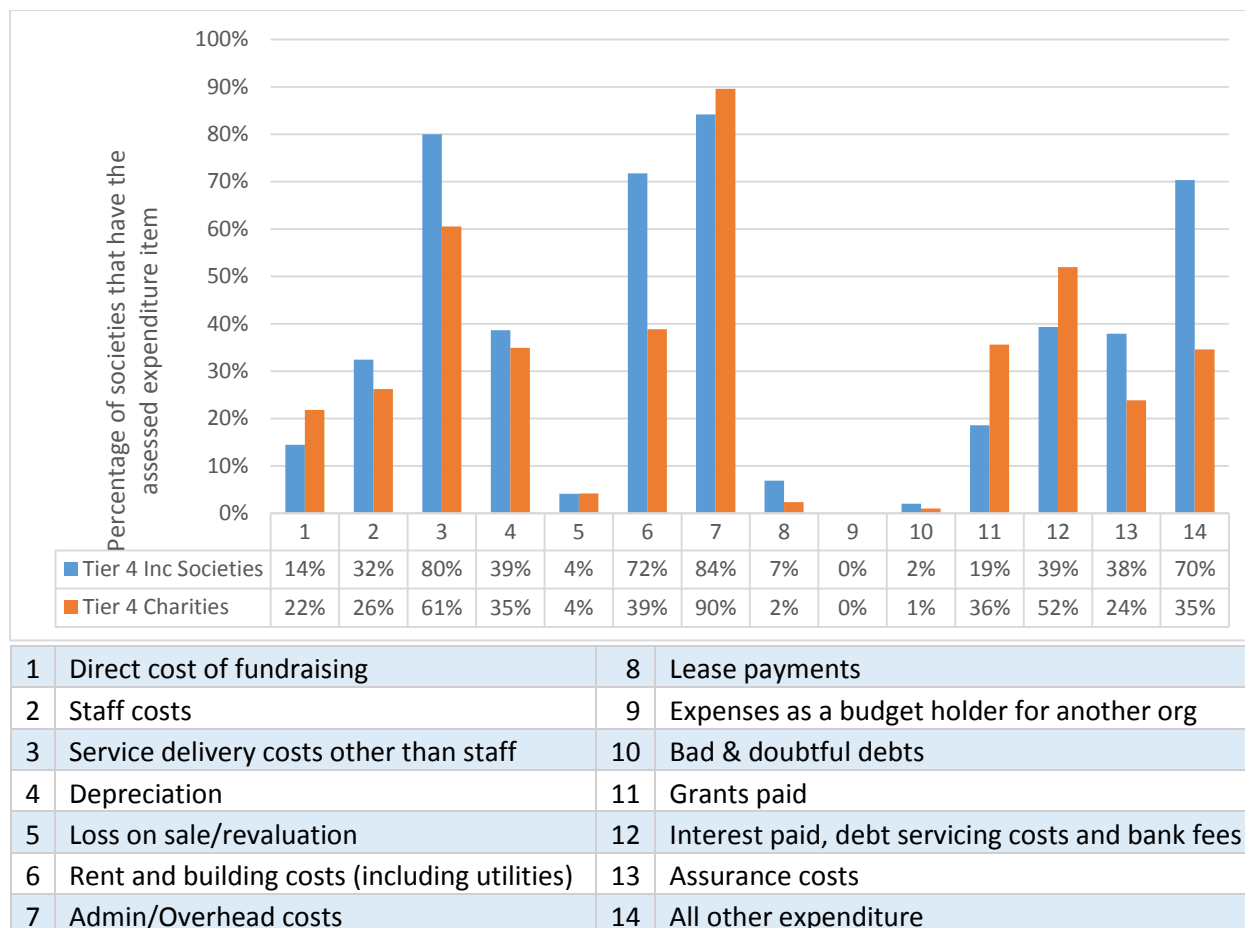
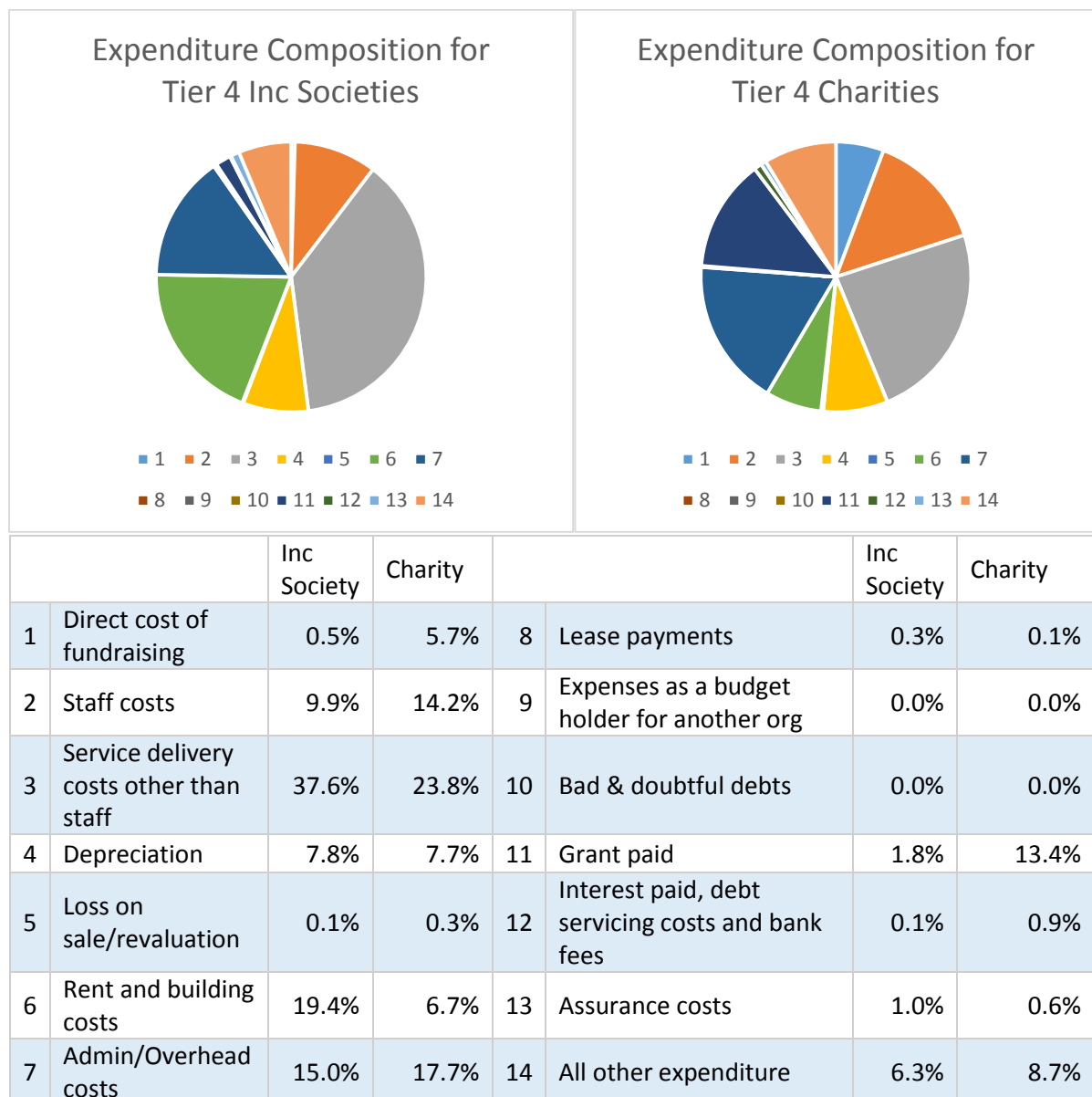


Figure 9 shows that the frequency of expenditure transactions in tier 4 incorporated societies are very similar to those undertaken by tier 4 registered charities. The graph shows:

- The largest difference between tier 4 incorporated societies and tier 4 registered charities is the frequency of rent and building costs (72% in tier 4 incorporated societies compared to 39% in tier 4 registered charities);
- Service delivery costs have a higher frequency in tier 4 incorporated societies (80% compared to 61% in registered charities), as do assurance costs (38% compared to 24% in registered charities);
- Incorporated societies are less likely to give out grants (19% compared to 36% of registered charities);
- Multiple transactions are found at similar levels in both tier 4 incorporated societies and tier 4 registered charities, these include:
  - Staff costs (32% in tier 4 incorporated societies and 26% in tier 4 registered charities);

- Depreciation (39% in tier 4 incorporated societies and 35% in tier 4 registered charities);
- Loss on sale/revaluation (4% in both);
- Administration and Overheads (84% in tier 4 incorporated societies and 90% in tier 4 registered charities); and
- Reporting the costs associated with fundraising is low for both (14% for tier 4 incorporated societies and 22% for tier 4 registered charities), particularly given the number that generate income through fundraising (39% for tier 4 incorporated societies and 36% for tier 4 registered charities), suggesting a significant amount of netting is taking place.

Figure 10: Comparison of Percentage of Expenditure for each assessed item in Tier 4 Incorporated Societies & Registered Charities



With respect to the expenditure in each category as a percentage of total expenditure, Figure 10 shows:

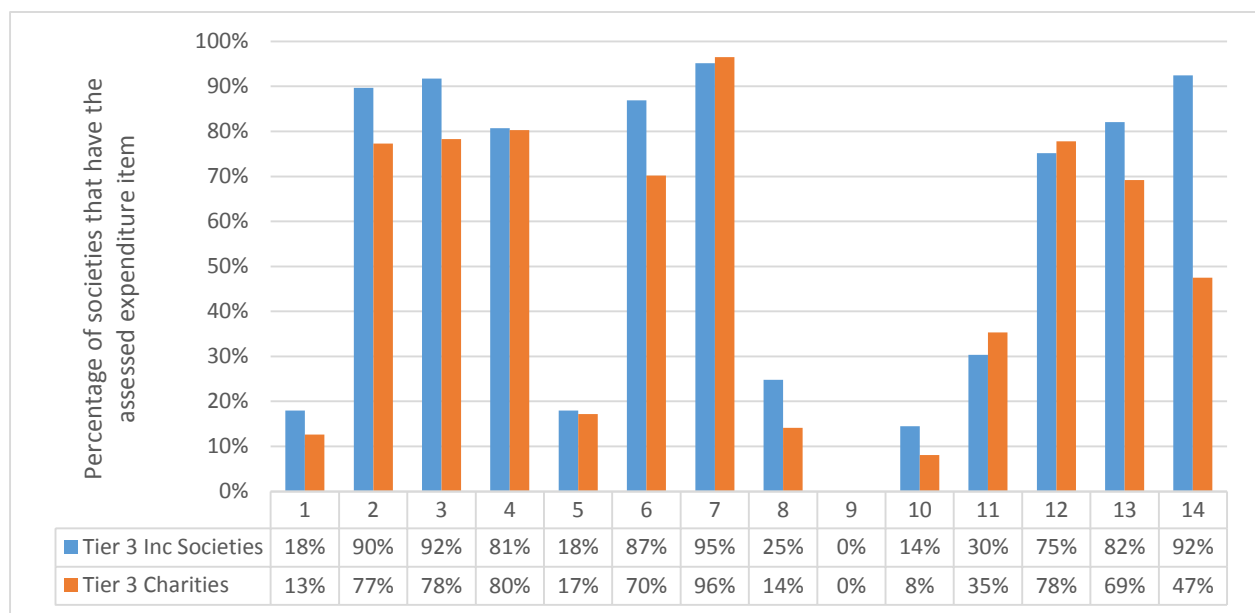


- A greater proportion of tier 4 incorporated societies' expenditure is for service delivery costs (38% compared to 24% of registered charities). However service delivery costs comprise the largest percentage of expenditure for both tier 4 incorporated societies and tier 4 registered charities;
- Administration costs comprise a similar proportion expenditure (15% for tier 4 incorporated societies and 18% for tier 4 registered charities);
- Tier 4 incorporated societies spend less on grants. These payments comprise 2% of their total expenditure, compared to 13% for tier 4 registered charities; and
- Rent and building costs comprise a large proportion of the expenditure for tier 4 incorporated societies (19%). This is significantly larger than in tier 4 registered charities (7%).

#### 2.2.4 Expenditure Comparison between Tier 3 Incorporated Societies & Tier 3 Registered Charities

Along with the expenditure comparison of tier 4 incorporated societies and tier 4 registered charities, the similarities and differences between the expenditure of tier 3 incorporated societies and tier 3 registered charities was also analysed. Figure 11 shows the frequency of expenditure transactions in tier 3 incorporated societies and tier 3 registered charities.

Figure 11: Comparison of Frequency of Expenditure Items for Tier 3 Incorporated Societies & Tier 3 Registered Charities



1	Direct cost of fundraising	8	Lease payments
2	Staff costs	9	Expenses as a budget holder for another org
3	Service delivery costs other than staff	10	Bad & doubtful debts
4	Depreciation	11	Grants paid
5	Loss on sale/revaluation	12	Interest paid, debt servicing costs and bank fees
6	Rent and building costs (including utilities)	13	Assurance costs
7	Admin/Overhead costs	14	All other expenditure

As Figure 11 shows, the typical transactions undertaken by tier 3 incorporated societies is remarkably similar to the tier 3 registered charities. In fact, the largest difference, excluding ‘all other expenditure’, is a 17% difference in the frequency of rent and building costs (87% for tier 3 incorporated societies compared to 70% for tier 3 registered charities). Where differences do occur, there tends to be at a higher frequency in tier 3 incorporated societies than in tier 3 registered charities. These include:

- Staff costs (90% compared to 77%);
- Service delivery costs (92% compared to 78%);
- Lease payments (14% compared to 8%); and
- Assurance costs (82% compared to 69%).

The remaining items were present at similar levels for both tier 3 incorporated societies and tier 3 registered charities.

Figure 12: Comparison of Percentage of Expenditure for each assessed item in Tier 3 Incorporated Societies & Tier 3 Registered Charities

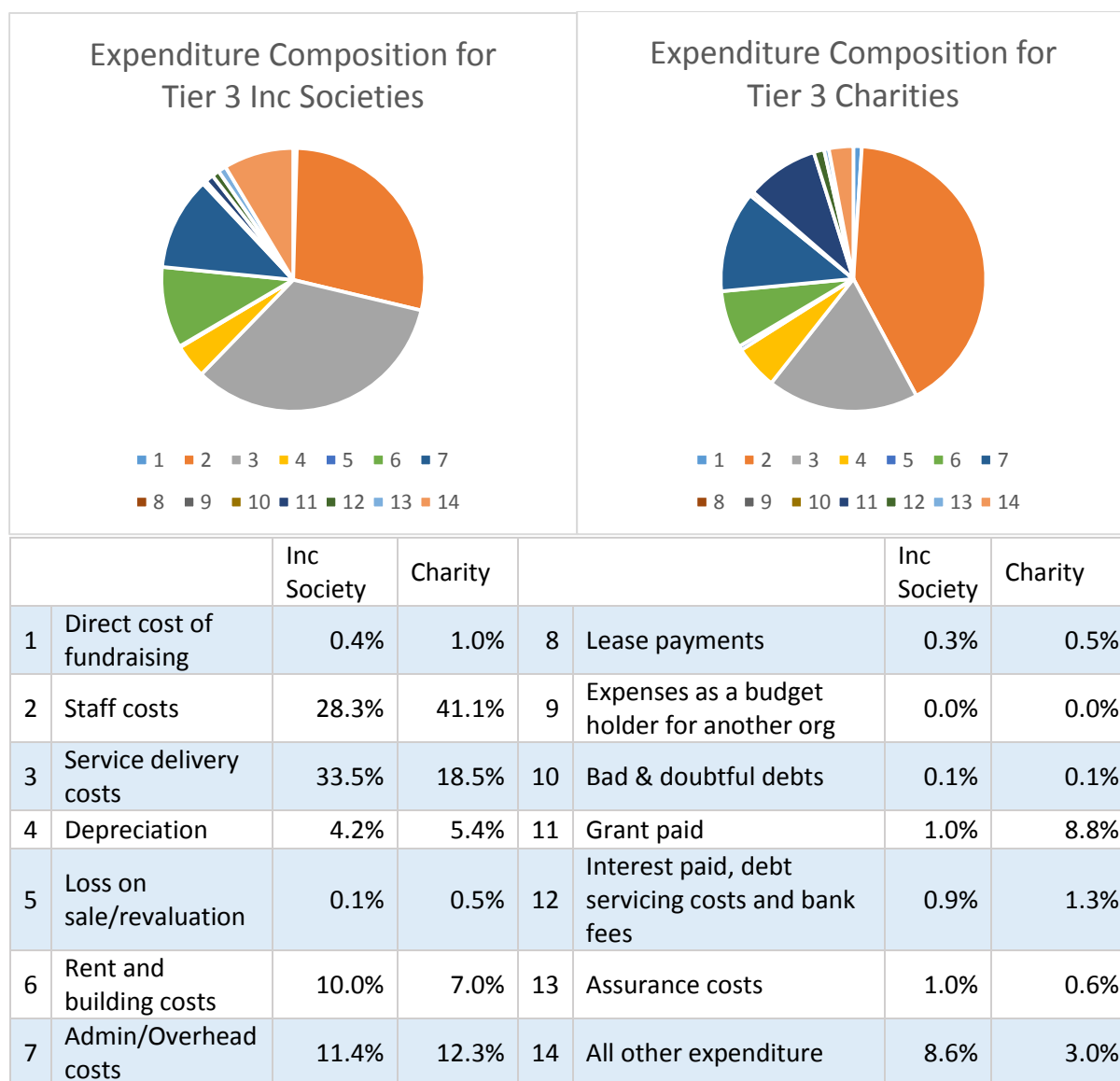


Figure 12 shows that there are also similarities between tier 3 incorporated societies and tier 3 charities, with respect to the percentage of total expenditure for each category as a percentage of total expenditure. The graph shows:

- Each type of entity incurs close to the same levels of administration and overhead costs (11% in tier 3 incorporated societies and 12% in tier 3 charities);
- Depreciation is responsible for a similar proportion of total expenditure for both (4.2% for tier 3 incorporated societies and 5.4% for tier 3 charities);
- Staff costs and service delivery costs combined make up approximately 60% of total expenditure for both. Although, service delivery makes up a greater proportion of this for tier 3 incorporated societies (34% compared to 19%) and staff costs represents a greater proportion for tier 3 charities (41% compared to 28%);
- As in the tier 4 comparison, rent and buildings costs are higher in tier 3 incorporated societies (10% compared to 7%). Although the difference is a lot less pronounced; and
- Tier 3 charities, spend more on grants (9% compared to 1%).

### 3 Balance Sheet Items

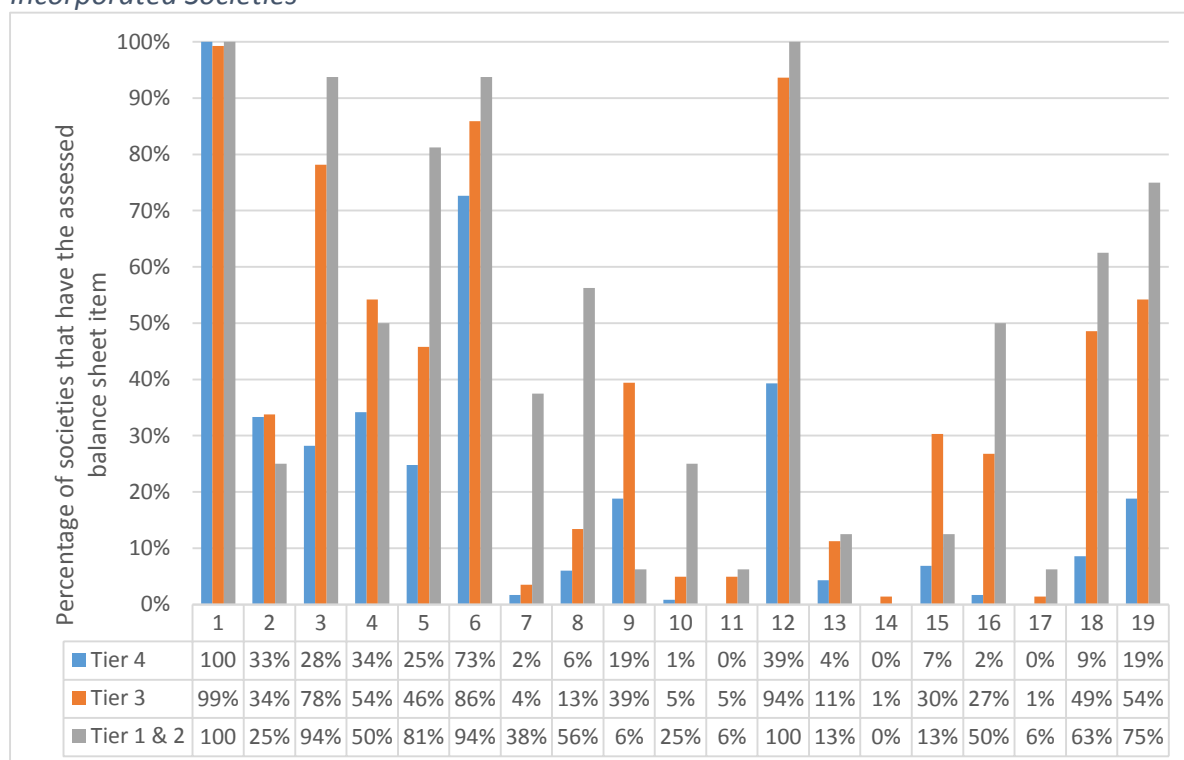
This section examines the frequency of balance sheet items present in the each of the incorporated society tiers and compares these balance sheet items to charities.

#### 3.1 Balance Sheet Comparison Across Tier 1 & 2, Tier 3 and Tier 4 Incorporated Societies

Figure 13 below shows the most common assets present in Tier 4 are cash at bank/cash equivalents. These items were present in all of the tier 4 societies sampled. The only other asset present in the majority of tier 4 incorporated societies was property plant and equipment (73%).

Term deposits (33%), debtors (28%), inventory/stock (34%) and other short-term assets (25%) were present in more than a quarter of the societies sampled. Liabilities appeared much less frequently on the balance sheet of tier 4 incorporated societies. Of these liabilities, creditors was the most common (39%), followed by other liabilities (19%). Other liabilities comprise mostly subscriptions/income in advance, taxation payable and provisions. The remaining liabilities were present in less than 10% of the incorporated societies sampled. It should be noted that a number of tier 4 societies did not present any balance sheet. These societies were not included in Figure 13.

Figure 13: Comparison of Frequency of Balance Sheet Items in Tier 4, Tier 3 and Tier 1 & 2 Incorporated Societies



1	Cash/Bank balances (cash equivalents)	11	Bank overdrafts
2	Term deposits	12	Creditors
3	Debtors	13	Unused grants/tagged donations
4	Inventory/stock	14	Member loans
5	Any other short-term assets	15	Other Borrowings (e.g. bank etc.)
6	Property Plant and Equipment incl. heritage assets	16	Employee related liabilities
7	Intangible assets	17	Lease Obligations
8	Investments	18	GST Payable

9	GST Receivable	19	Other liabilities
10	All other long term assets		

A number of asset items were common in tier 3 incorporated societies' balance sheets. These include: cash at bank/cash equivalents (97%), property plant and equipment (84%), debtors (77%) and inventory/stock (53%). Liabilities are more common in tier 3 incorporated societies than tier 4. The most common liability among tier 3 incorporated societies was money owing to creditors (92%). Furthermore, other liabilities (54%), GST payable (48%), other borrowings (bank loans etc.) (30%) and employee related liabilities (26%) were all relatively common. A small number of tier 3 incorporated societies had overdrafts (5%). There were also two instances of member loans (1%).

All of the tier 1 & 2 incorporated societies sampled had cash at bank/cash equivalents present in their balance sheets. The other common assets were: property plant and equipment (94%), debtors (94%) and other short-term assets (80%). A significant number also had intangible assets (38%). The majority of intangible assets recognised were computer software. Although, there was an instance of an award ceremony being classified in this category (further detail was not provided). With respect to liabilities, all tier 1 & 2 incorporated societies had some money owing to creditors. GST payable (63%) and employee related liabilities (50%) also had a high frequency.

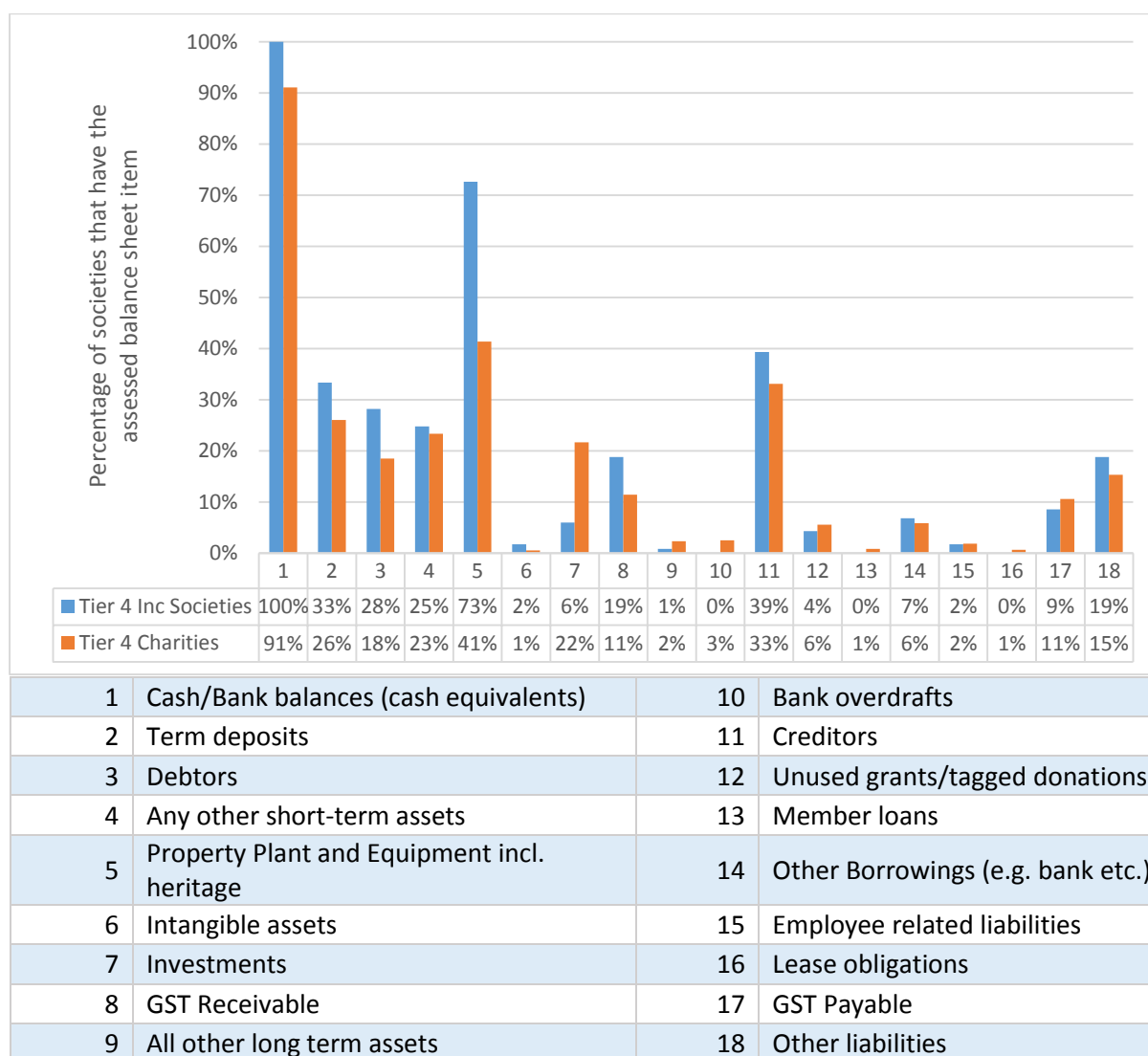
When comparing frequency between tier 1 & 2, tier 3 and tier 4 incorporated societies, it can be seen that:

- As incorporated societies increase in size, they are more likely to report more asset and liability items in their balance sheet, specifically in:
  - Debtors (28% in tier 4, 77% in tier 3 and 94% in tier 1 & 2);
  - Other short-term assets (25% in tier 4, 44% in tier 3 and 81% in tier 1 & 2);
  - Investments (6% in tier 4, 13% in tier 3 and 56% in tier 1 & 2);
  - Employee related liabilities (2% in tier 4, 26% in tier 3 and 50% in tier 1 & 2);
  - GST payable (9% in tier 4, 48% in tier 3 and 63% in tier 1 & 2);
- Both cash at bank/cash equivalents (100%, 97% and 100% in tier 4, tier 3 and tier 1 & 2 respectively) and property plant and equipment (73%, 84% and 94% in tier 4, tier 3 and tier 1 & 2 respectively) are common no matter the tier. Although, ownership of property plant and equipment increases slightly in the larger tiers;
- The frequency of term deposits is consistent across all tiers (33% for tier 3 and tier 4, 25% for tier 1 & 2);
- Tier 3 incorporated societies are significantly more likely to have 'other borrowings' (bank loans etc.) (30% in tier 3 compared to 7% and 13% in tier 4 and tier 1 & 2 respectively); and
- Unused grants/tagged donations are reported less frequently in tier 4 incorporated societies (4% in tier 4, 11% in tier 3 and 13% in tier 1 & 2).

### 3.2 Balance Sheet Comparison Across Tier 4 Incorporated Societies and Charities

Figure 14 below shows that the frequency of balance sheet items in tier 4 incorporated societies is very similar to tier 4 charities. In fact, of all the balance sheet items, only property plant and equipment (73% in tier 4 incorporated societies and 41% in tier 4 charities) and investments (6% in tier 4 charities and 22% in tier 4 incorporated societies) could be said to be significantly different. Three balance sheet items were present in some tier 4 charities and absent in all tier 4 incorporated societies, these include: bank overdrafts, member loans and lease obligations. However, the frequency of these items in charities was extremely low (3%, 1% and 1% for bank overdrafts, member loans and lease obligations respectively).

Figure 14: Comparison of Frequency of Balance Sheet Items in Tier 4 Incorporated Societies and Charities



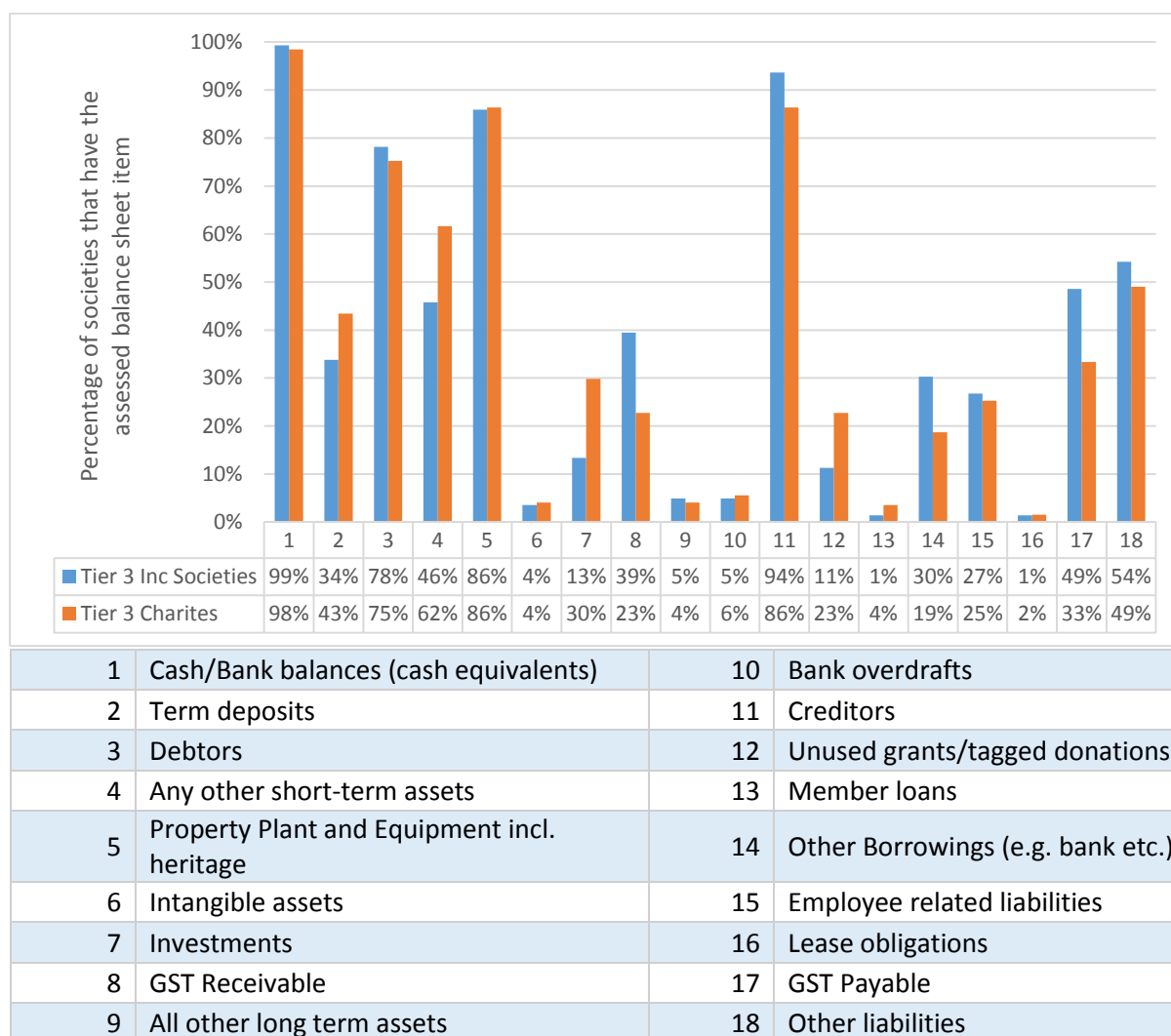
### 3.3 Balance Sheet Comparison Across Tier 3 Incorporated Societies and Charities

In contrast to tier 4, the frequency of balance sheet items in tier 3 incorporated societies varied slightly from those in tier 3 charities. These are shown in Figure 15 and include:

- A higher frequency of balance sheet items in tier 3 incorporated societies in the following:
  - GST receivable (39% compared to 23%);
  - Other borrowings (bank loans etc.) (30% compared to 19%);
  - GST payable (48% compared to 33%); and
- A higher frequency of balance sheet items in tier 3 charities in the following:
  - Investments (30% compared to 13%);
  - Other short-term assets (62% compared to 44%);
  - Term deposits (43% compared to 33%);
  - Unused grants/tagged donations (23% compared to 11%).

Although there are slight differences between tier 3 incorporated societies and tier 3 charities, overall Figure 15 shows that the items found in their balance sheets are largely the same.

*Figure 15: Comparison of Frequency of Balance Sheet Items in Tier 3 Incorporated Societies and Charities*



## 4. Other factors for consideration

This section will discuss the tier make-up of the incorporated societies' population and compares it to registered charities. Factors such as the basis of reporting and the frequency of reviews and audits among the incorporated societies sampled are examined. The limitations of the research are discussed. Issues raised during interviews are presented in Appendix 1.

### 4.1 Size Distribution

This sub-section will examine the percentage of both incorporated societies and registered charities in each financial reporting tier, as well as examining the size distribution within both tier 4 and tier 3 incorporated societies. The percentage of both incorporated societies and registered charities in each tier can be seen in Figure 16 below.

*Figure 16: Comparison of Percentage of Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in Total Expenditure bands*

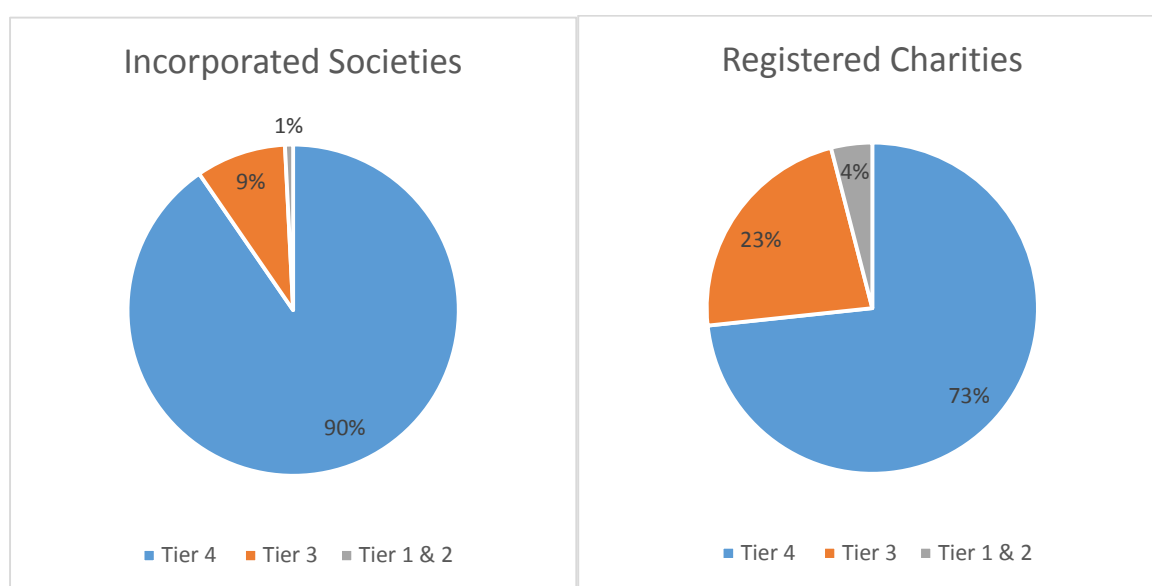


Figure 16 shows that the vast majority (90%) of incorporated societies are small tier 4 entities. Only 9% of the incorporated societies are tier 3 and less than 1% of incorporated societies are tiers 1 & 2. Similarly, the most significant portion of registered charities is tier 4, accounting for nearly three quarters (73%) of all registered charities. However, this is fewer than the 90% observed for tier 4 incorporated societies. The balance of the registered charity population comprises mostly tier 3 (23%), with tier 1 & 2 making up the smallest part of the population (4%). Further, the population of incorporated societies (as extrapolated from the sample) comprises smaller entities than those found on the charities register.

To examine the size distribution of incorporated societies further, the size spread within tiers 4 and 3 was also examined. The results are depicted in Figures 17 and 18 below. Both of these Figures show the percentage of incorporated societies in each expenditure bracket (e.g. Figure 17 shows 28% of tier 4 incorporated societies have expenditure between \$0 and \$5,000 and 15% have expenditure between \$5,000 and \$10,000).



Figure 17: Size Distribution of tier 4 Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in respect of Total Expenditure

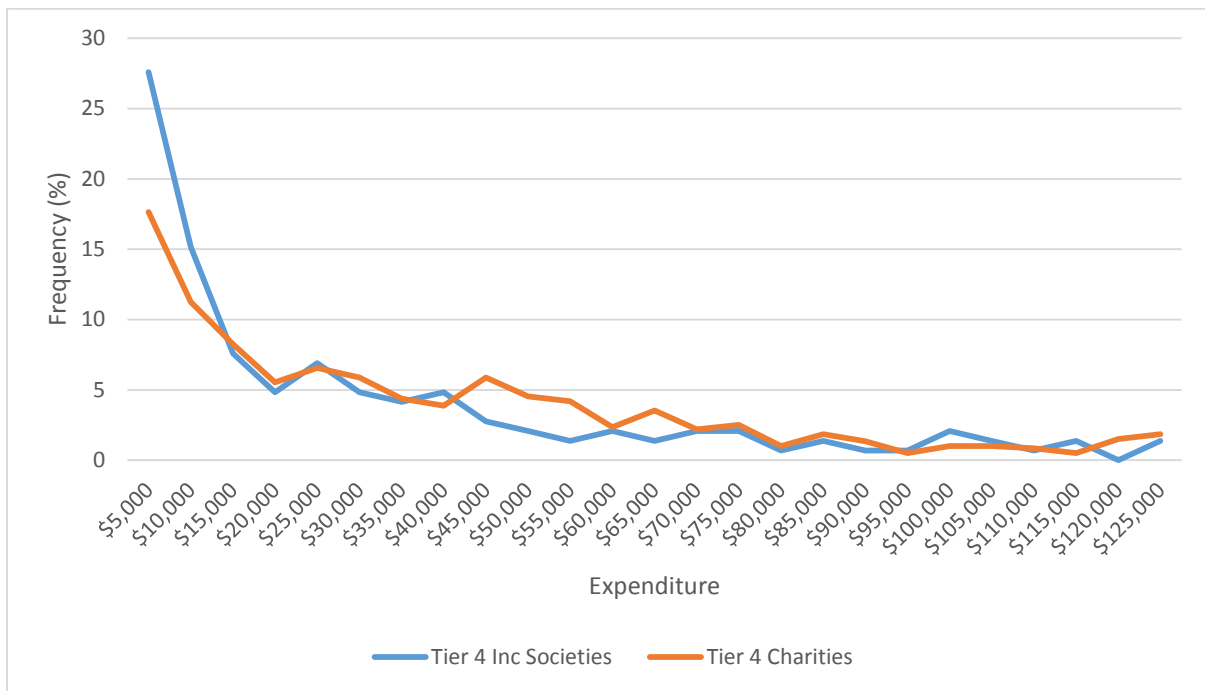


Figure 17 shows that the majority of tier 4 incorporated societies are very small. In fact, just over 50% of the incorporated societies sampled had an annual expenditure of less than \$15,000. This is a general trend throughout the tier, with the number of incorporated societies represented in each expenditure bracket falling as the expenditure increases. Although not as pronounced, this same trend can also be seen in registered charities.

At very low expenditure levels (0-10,000 dollars) there is a larger number of tier 4 incorporated societies (42%) compared to tier 4 registered charities (29%). In contrast, only 10% of tier 4 incorporated societies had low to mid-range expenditure levels (40,000-65,000) compared to 21% of tier 4 registered charities. Thus, not only is there a higher percentage of tier 4 incorporated societies compared to charities, incorporated societies within tier 4 also tend to be slightly smaller in size. This is supported when comparing the average total (annual) expenditure of tier 4 incorporated societies and charities, as this is 24% higher in charities (\$34,288 compared to \$27,661).

Figure 18: Size Distribution of tier 3 Incorporated Societies (as sampled from the register) and Charities (from Cordery, 2012) in respect of Total Expenditure

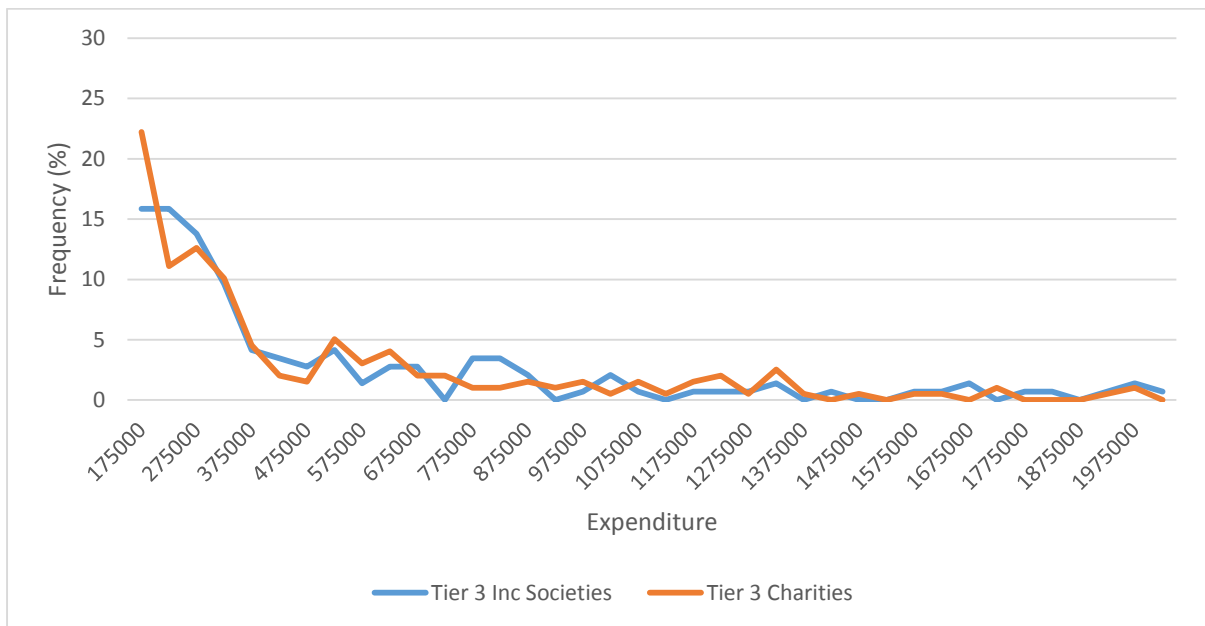


Figure 18 shows a similar expenditure distribution to that observed in tier 4. That is to say, the majority of the tier 3 incorporated societies and registered charities have total expenditure at the smaller end of the tier 3 range (from \$125,000 to \$2 million). Approximately, 55% have expenditure between \$125,000 and \$325,000. The remaining 45% have expenditure between \$325,000 and \$2,000,000. Thus, the size distribution of tier 3 incorporated societies and tier 3 registered charities are similar. This is supported by comparing the average expenditure of tier 3 incorporated societies and charities, which is just 5.6% higher in incorporated societies than registered charities (\$503,825 compared to \$476,964).

Overall, the size distribution of both incorporated societies and charities is heavily concentrated at the low end of each tier range. Furthermore, while tier 4 incorporated societies tended to be smaller, the difference was small.

#### 4.2 Basis of Reporting

The number of incorporated societies using cash or accrual reporting was examined. Currently, when submitting their accounts to the register, incorporated societies are not required to disclose whether their accounts are prepared on a cash or accrual basis. In order to determine whether they were using cash or accrual, the notes accompanying the financial statements were examined, along with the presence of items such as depreciation, debtors and creditors. It was found that 42% of tier 4 incorporated societies report on a cash basis. However, only 1.4% of tier 3 incorporated societies report on a cash basis. None of the tier 1 or 2 societies reported on a cash basis. Those societies that reported using cash accounting were further differentiated based on the types of accounts they used, the categories used were the same as in the charities study and include:

- Standard: where receipts and payments are listed under the headings “income” and “expenditure” and are netted to include a line which calculates a “net surplus/deficit”. A list of assets and liabilities (a balance sheet) is also included. The majority of these standard cash-based financial statements appear identical in appearance to those prepared on an accrual basis. Charities using the standard form may also include notes and/or policies in their financial statements (including a note stating that the cash basis is used). However,

there was no evidence that the financial statements had been compiled on an accrual basis (e.g. there were no prepaid expenses or depreciation);

- Receipts and Payments: where the financial statements begin with an opening bank balance and cash payments and receipts are listed under their respective headings. Excess receipts over payment are calculated, unrepresented cheques are listed and the closing bank figure as at balance date is provided. In addition, these accounts include a simple list of any other asset(s) or liability(ies) – classified under those headings respectively;
- T-accounts: where the opening and closing bank balances are presented in columnar form with the receipts and payments. The two columns are summed but there is no calculation of the excess receipts over payments; and
- Other: where the formats included trustee statements (often in multiple currencies), bank statements, and a listing of transactions/journal entries and general ledger accounts (see example in Appendix 4).

The distribution of these varying categories among those incorporated societies was reasonably even. The most common format used was the standard format, which was present in 35% of incorporated societies that reported on a cash basis. T-accounts were present in 24%, “other” were present in 22% and receipts and payments were present in 19% of incorporated societies.

#### 4.3 Unusual Transactions

The majority of transactions undertaken by the incorporated societies were common among the entities sampled. That is to say, a small number of the same type of transactions were present in a large number of incorporated societies, these common transactions can be viewed in appendix 3. However, some societies undertook unusual transactions, particularly in regards to revenue where it appears that these societies seek creative ways to complement their main income streams.

One unusual transaction occurring in a number of the sampled incorporated societies was livestock trading. This type of transaction was most commonly found in golf clubs, however, it was also present in aero clubs. The reporting of revenue and expenditure in relation to livestock trading varied significantly. Reporting ranged from separate trading accounts (complete with purchases, sales and expenditure, such as grazing costs), through to a single netted entry.

Trading in gift vouchers was found to be the primary source of revenue in one of the tier 3 incorporated societies sampled. In the case of this society, they regarded themselves as principal not agent. A number of the interviewees raised the issue of principal versus agent with respect to gift vouchers. All knew of some incorporated societies that traded in gift vouchers as a source of revenue and all of these were acting as the principal, rather than as the agent.

There were a number of tier 4 and tier 3 incorporated societies who reported foreign currency profits/losses in their profit and loss statements. Furthermore, one of the interviewees mentioned it was not uncommon for an incorporated society to be affiliated, in some way, to an overseas entity. In this scenario, if any foreign exchange has taken place then the incorporated society will have to apply NZ PBE IPSAS 4 in its entirety. Furthermore, the same interviewee mentioned a club they were involved in where member fees are paid to the international branch, which uses a US bank account. This international branch will then pass back funding to the New Zealand branch, which must account for foreign exchange differences. However, none of the other interviewees could recall a similar situation.

#### 4.4 Reviews and Audits

Currently the Incorporated Societies Act of 1908 does not require societies to have their financial statements audited. However, incorporated societies may still be required to do so if they meet the conditions of other Acts, such as the Financial Reporting Act (1993), if they are an issuer, or by their constitutions. Each incorporated society sampled was examined for the presence of an audit or review in order to gain a better understanding of their frequency among incorporated societies. The number of incorporated societies having review engagements was low across all tiers. The frequency was highest in tier 4 incorporated societies (12%), followed closely by tier 3 incorporated societies (10%) and was absent altogether in tier 1 & 2 incorporated societies.

In contrast, the frequency of audits rose sharply as the tier size increased (88% in tier 1 & 2, 59% in tier 3 and 23% in tier 4). There were multiple examples of assurance being expensed in the financial accounts in the absence of an auditor's report, including, an incorporated society whose notes referred to an auditor's report. However, often the page it referenced was missing from the uploaded statements. For the purpose of this study, these societies were deemed not to have engaged an auditor, as no evidence was found of an audit report. It should be noted that three tier 4 incorporated societies had assurance costs as their highest expense. In fact, for one of these incorporated societies it was their only expense.

#### 4.5 Limitations

The major limitation of this research is the sample size. Because there were only 145 societies used for each tier 3 and tier 4 and just 16 from tier 1 & 2 combined, there is always the risk that the random sample obtained is not a fair reflection of the incorporated society population as a whole. In order to address this, the final sample of societies was examined to see if they met the perceived diversity of the sector (see appendix 1 for more details).

Further, as the incorporated societies that were not used in data analysis were not checked to see if they were also a registered charity (although as many charities that could be identified in the population were excluded from the start), there is a slight possibility that a small proportion of the incorporated societies used in extrapolating the population distribution are also charities. Nevertheless, the data obtained gives a good approximation of the tier composition of incorporated societies.

#### 4.6 Summary

The aim of this research was to analyse the typical transactions of incorporated societies and compare these to charities. The data shows differences in a variety of areas, both in expenditure and revenue. The major difference observed between incorporated societies and registered charities (both tier 3 and tier 4) was seen in member fees. This reflects the membership focus of incorporated societies. However, incorporated societies were also found to generate revenues that might be considered the preserve of registered charities, such as revenue from donations/grants and fundraising from the public. Overall, the research showed that the transactions typically entered into by incorporated societies are similar to those entered into by registered charities. While some differences can be seen (as already highlighted), there are no account items used by incorporated societies and not registered charities, or vice versa. In fact, for the most part the frequency of transactions for both was exceedingly similar.

A number of unexpected transactions were found to have taken place. A number of incorporated societies in both tier 3 and tier 4 undertook livestock trading as an extra source of revenue

generation. Similarly, both tier 3 and tier 4 incorporated societies recorded foreign exchange gains/losses, while gift voucher trading was found in the higher tiers.

The interviews were undertaken in order to assess if there were any transactions incorporated societies enter into that may have been missed when analysing the financial statements. Although no types of transactions were missing, the interviews provided background to some of the more unusual transactions. Further, interviewees had a variety of comments on the proposed changes due to the Consultation Document on the Incorporated Societies Bill, as well as upcoming financial reporting and auditing changes (see also appendix 1). The most widely commented area was on the statement of service performance, which for the most part was supported.

The population of incorporated societies is extremely diverse and is composed of, mostly, tier 4 entities. The tier 4 entities themselves are often very small, with very little in the way of income or expenditure. These smaller entities are likely to face greater challenges in implementing the proposed standards, particularly given, in many of these entities, it is likely to be volunteers who have to comply. Thus, communication and education will be important in aiding these smaller incorporated societies through transition. In this respect, referring to account names typically used by these incorporated societies in the Simple Format Reporting standards may help the entities comply with reporting standards, especially where these differ from those used by registered charities (appendix 3 contains some examples of common account items in the varying categories used).

## References

- Cordery, C.J., 2012. *Typical transactions in charities . A report for the External Reporting Board*, XRB: Wellington.
- New Zealand Government, 2015. *Consultation Draft Incorporated Societies Bill*, Ministry of Business, Innovation and Employment: Wellington.
- New Zealand Government, 1908. *Incorporated Societies Act 1908*.
- New Zealand Law Commission, 2013. *A new Act for incorporated societies*, New Zealand Law Commission: Wellington.
- Statistics New Zealand, 2007. *Counting Non-profit Institutions in New Zealand: 2005* Statistics New Zealand, ed., Statistics New Zealand: Wellington.

## Appendix 1: Interviewee Comments

This Appendix provides a summary of the frequently raised points from the ten interviews undertaken with accountants and other experts from the incorporated societies sector. These include:

1. Statement of service performance (SSP):
  - Should be included as it tells the story members want to hear.
  - Any well governed incorporated society should not find a statement of service performance too difficult, as they should know what they are trying to accomplish and how they are going to accomplish it.
  - By translating what the organisation is about, the SSP helps in governance and keeps entities focussed.
  - By producing a set standard to follow, some entities are only going to produce the bare minimum, which is a shame.
  - Concern that if an SSP must be audited, that any audit guidance should also follow the accounting standard/guidance (i.e. use similar wording/expectations).
  - Concerns that volunteers in small societies will find it difficult to complete and the cost of compliance for these small societies will large.
2. Taxation:
  - Splitting transactions of members and non-members for tax purposes had a variety of responses. These ranged from, most incorporated societies probably do not, through to, it happens quite a lot.
3. Branch consolidation:
  - No incorporated society wants to look like they have a lot of money, as it causes issues when asking for grants and donations, as well as explaining member fee increases.
  - Control is the real issue that accounting standards have to cover. There are people making questionable business decisions to avoid control.
  - Could be dangerous to allow grandfathering (as is in the current exposure draft of the bill), with respect to branches.
  - Consolidation is not the logistical nightmare it is made out to be.
  - If an organisation is governed as one, they should be accounted for as one.
  - Under the new Financial Reporting Act, you do not need a parent column if you are a company, which has some incorporated societies thinking they do not either.
4. Date of enactment for a future Incorporated Societies Bill:
  - Given there are a lot of changes already underway currently, why not just get on to it and put accounting changes in place sooner.
  - Going to have to make the change at some point and people invariably leave it to the last moment to make the change anyway, so why not get it over and done with.
  - Current students are taught IFRS and don't know old GAAP. Thus, from a firm's perspective, the sooner the better.
5. Donated goods, services and time:
  - A lot of merit in putting a value on the cost of volunteer time. However, it is difficult to value.
  - Organisations want to record the true costs of events. If an organisation gets free air travel one year and doesn't record it, getting funding for it next time may be difficult.

- The ability to apply some judgment where donated goods are concerned is a good thing.
6. Public understanding and education:
    - Education of incorporated societies may be worse than charities, because at least the charities know to some degree that they are answerable to the general public (as they are taking their money). However, incorporated societies may feel they are accountable only to their members.
  7. Compliance costs:
    - Concerns over the costs of complying with the new standards and the burden that would put on small incorporated societies. Would like a floor under which people would not have to comply.
    - Possibility that there will be influx of incorporated societies registering as charities if they have to report under the same standards.
  8. Government donations:
    - Concerns about government agencies getting rid of large sums of money, with no return obligations, in June. This results in entities having to record it as revenue, meaning they have a massive profit they have to explain. When the funds are spent to deliver services the next year there will be a loss to explain.
  9. Templates
    - Given the breadth of activities incorporated societies enter into, they may have difficulty relating to concepts present in the charities template.
  10. Incorporated societies website
    - Concerns over the functionality of the incorporated societies web site/registrar, and whether it is going to be updated.

## Appendix 2 Further Revenue and Expenditure Data

In this appendix, 6 tables are presented showing

- The dollar values for revenue and expenditure for tier 4, tier 3 and tier 1 & 2 incorporated societies; and
- The dollar values for balance sheet items for tier 4, tier 3 and tier 1 & 2 incorporated societies.



Table 2: Range of dollar values of revenue and expenditure in tier 4 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Fundraising from public	56	4	16375	118321	2113	3002
Other donations & grants	86	1	115040	664161	7723	16923
Subcategory sponsorship if provided	30	300	43674	155400	5180	8280
Fees from members	127	7	97951	1002708	7895	14292
Revenue from goods & services	111	15	108838	1858389	16742	20604
Interest income	126	1	26221	179254	1423	3591
Dividend income	3	117	208	470	157	47
Rental income	35	60	25444	134661	3847	6463
Other investment income	2	928	10703	11631	5816	6912
Gain on sale of assets/ revaluations	0	0	0	0	0	0
Bequests	0	0	0	0	0	0
Income as budget holder for another org	0	0	0	0	0	0
Other revenue	69	1	182017	500027	7247	26014
Gross revenue	145	124	190008	4625021	31897	39379
Direct cost of fundraising	21	5	4943	18385	875	1096
Staff costs	47	51	58871	397425	8456	13477
Service delivery costs other than staff	115	10	76495	1091719	9493	13017
Costs of goods sold	31	11	60146	334448	10789	12670
Depreciation	56	51	33463	313845	5604	7057
Loss on sale/ revaluation	6	127	2692	5147	858	945
Rent and building costs (including utilities)	103	40	55686	776731	7541	9519
Admin/Overhead costs	122	10	39780	327309	2683	4798
Affiliation Fees	73	45	16858	246030	3370	4211
Competition Costs	27	49	14588	81192	3007	4461
Representation Costs	36	8	5374	29886	830	1199
Lease payments	10	113	5143	14013	1401	1967
Expenses as a budget holder for another org	0	0	0	0	0	0
Bad & doubtful debts	3	30	557	707	236	282
Grants paid	27	50	21571	73672	2729	6007
Interest paid, debt servicing costs and bank fees	57	2	1278	5472	96	207
Assurance Costs	55	40	4639	41642	757	1100
All other expenditure	102	23	17154	253153	2482	3520
Gross expenses	145	184	124837	4010777	27661	31194

Table 3: Range of dollar values of revenue and expenditure items in tier 3 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Fundraising from public	50	163	102994	849557	16991	22239
Other donations & grants	86	240	914306	9396785	109265	172149
Subcategory sponsorship if provided	52	35	170616	1802761	34668	44652
Fees from members	126	10	978444	12674621	100592	155712
Revenue from goods & services	129	3038	2027075	40319024	312551	387057
Interest income	134	1	54693	788405	5884	9328
Dividend income	4	483	47333	51031	12758	23067
Rental income	64	191	506923	2225439	34772	74523
Other investment income	6	2433	45191	108306	18051	15806
Gain on sale of assets/ revaluations	10	395	26980	53749	5375	8361
Bequests	0	0	0	0	0	0
Income as budget holder for another org	0	0	0	0	0	0
Other revenue	118	27	2613415	10575377	89622	302786
Gross revenue	145	126803	2821633	78845055	543759	509518
Direct cost of fundraising	26	230	68632	324825	12493	17741
Staff costs	130	120	1111808	20664875	158961	182582
Service delivery costs other than staff	133	492	1278945	16945614	127411	169231
Costs of goods sold	44	2135	560706	6334854	143974	135867
Depreciation	117	3	233215	3041382	25995	38853
Loss on sale/ revaluation	26	25	18517	99517	3828	5706
Rent and building costs (including utilities)	126	385	476662	7295813	57903	71996
Admin/Overhead costs	138	21	752421	6291018	45587	93172
Affiliation Fees	66	811	289929	1193394	18082	38596
Competition Costs	25	652	373691	1224131	48965	83216
Representation Costs	58	88	166411	876831	15118	28181
Lease payments	36	112	39503	253870	7052	8207
Expenses as a budget holder for another org	0	0	0	0	0	0
Bad & doubtful debts	21	17	28124	82313	3920	6880
Grants paid	44	87	427195	760740	17290	64252
Interest paid, debt servicing costs and bank fees	109	15	130051	664090	6093	15573
Assurance Costs	119	65	50263	719275	6044	6643
All other expenditure	134	32	1128773	6282050	46881	143691
Gross expenses	145	126536	1998692	73054594	503825	454483

Table 4: Range of dollar values of revenue and expenditure items in tier 1 & 2 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Fundraising from public	1	8761	8761	8761	8761	0
Other donations & grants	9	216243	5108761	20044771	2227197	1549049
Subcategory sponsorship if provided	7	52326	2586382	8753655	1250522	1196887
Fees from members	13	1870	7647916	14777050	1136696	2124062
Revenue from goods & services	13	137982	78048988	119977357	9229027	21443195
Interest income	14	1659	2357995	3484996	248928	615019
Dividend income	3	20	33350	47223	15741	16745
Rental income	4	98335	34335465	34746897	8686724	17099186
Other investment income	0	0	0	0	0	0
Gain on sale of assets/ revaluations	4	1216	278687	432373	108093	129833
Bequests	0	0	0	0	0	0
Income as budget holder for another org	0	0	0	0	0	0
Other revenue	14	31203	7962737	13771447	983675	2049585
Gross revenue	16	2440052	79971115	216044530	13502783	22602124
Direct cost of fundraising	0	0	0	0	0	0
Staff costs	13	235411	7960861	24108875	1854529	2083757
Service delivery costs other than staff	15	9212	72577900	113292789	7552853	18515046
Costs of goods sold	1	2531829	2531829	2531829	2531829	0
Depreciation	14	15371	4010367	5737282	409806	1043298
Loss on sale/ revaluation	7	499	444914	704358	100623	158906
Rent and building costs (including utilities)	13	7438	1745290	4947322	380563	530320
Admin/Overhead costs	16	54930	4800864	14220442	888778	1435807
Affiliation Fees	4	4950	390167	603261	150815	180363
Competition Costs	6	364819	3186035	10565837	1760973	1021758
Representation Costs	7	519	214125	519682	74240	96534
Lease payments	5	6950	40179	96843	19369	12426
Expenses as a budget holder for another org	0	0	0	0	0	0
Bad & doubtful debts	9	100	20283	60852	6761	7139
Grants paid	5	3819	521404	1317342	263468	231516
Interest paid, debt servicing costs and bank fees	11	351	57573	250785	22799	20819
Assurance Costs	14	5428	45500	324641	23189	12065
All other expenditure	14	2439	1297831	5286519	377609	408504
Gross expenses	16	2404314	81078290	184568659	11535541	19677382

Table 5: Range of dollar value of balance sheet items in tier 4 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Cash/Bank balances (cash equiv/petty cash)	117	532	697043	3497581	29894	80160
Term deposits	39	5000	326339	2183482	55987	80128
Debtors	33	19	14129	98423	2983	3275
Inventory/stock	40	31	13426	103617	2590	3223
Any other short-term assets	29	60	27370	113139	3901	6527
Property Plant and Equipment incl. heritage	85	34	795139	8151493	95900	161860
Intangible assets	2	100	300	400	200	141
Investments	7	2000	656995	887072	126725	237559
GST Receivable	22	6	9095	26962	1226	2221
All other long term assets	1	1203	1203	1203	1203	0
<b>Total assets</b>	<b>117</b>	<b>1261</b>	<b>996459</b>	<b>15063371</b>	<b>128747</b>	<b>208954</b>
Bank overdrafts	0	0	0	0	0	0
Creditors	46	50	27600	239295	5202	7320
Unused grants/tagged donations	5	3000	11500	29461	5892	3473
Member loans	0	0	0	0	0	0
Other Borrowings (e.g. bank etc.)	8	300	99137	155356	19420	32803
Employee related liabilities	2	1809	3482	5291	2646	1183
Lease Obligations	0	0	0	0	0	0
GST Payable	10	839	7302	28701	2870	1905
Other liabilities	22	35	358660	526400	23927	77124
<b>Total Liabilities</b>	<b>117</b>	<b>0</b>	<b>373047</b>	<b>984505</b>	<b>8415</b>	<b>37459</b>
<b>Net assets total</b>	<b>117</b>	<b>1261</b>	<b>971210</b>	<b>14078867</b>	<b>120332</b>	<b>196918</b>

Table 6: Range of dollar value of balance sheet items in tier 3 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Cash/Bank balances (cash equiv/petty cash)	141	1308	3822004	22878943	162262	352008
Term deposits	48	2436	1637566	9503257	197985	324297
Debtors	111	40	333773	3348662	30168	54402
Inventory/stock	77	81	510394	1593856	20699	61603
Any other short-term assets	64	6	294058	1149382	17959	51413
Property Plant and Equipment incl. heritage	122	10	4229158	69966656	573497	892949
Intangible assets	5	800	97500	161050	32210	41614
Investments	19	10	2524505	4828929	254154	583089
GST Receivable	56	241	56217	367178	6557	10339
All other long term assets	7	4346	156973	467812	66830	51498
<b>Total assets</b>	<b>142</b>	<b>13405</b>	<b>5864257</b>	<b>114265726</b>	<b>804688</b>	<b>1034668</b>
Bank overdrafts	7	15	139972	240432	34347	54186
Creditors	133	38	553315	5327289	40055	63848
Unused grants/tagged donations	16	216	152250	327350	20459	36322
Member loans	2	7500	292001	299501	149751	201173
Other Borrowings (e.g. bank etc.)	43	662	1984000	7442069	173071	336702
Employee related liabilities	38	443	62004	606064	15949	14309
Lease Obligations	2	19632	122994	142626	71313	73088
GST Payable	69	294	46376	635995	9217	10966
Other liabilities	77	100	491426	3496156	45405	92508
<b>Total Liabilities</b>	<b>142</b>	<b>0</b>	<b>2002091</b>	<b>18517418</b>	<b>130404</b>	<b>234700</b>
<b>Net assets total</b>	<b>142</b>	<b>-134701</b>	<b>5724493</b>	<b>95748308</b>	<b>674284</b>	<b>944634</b>

Table 7: Range of dollar value of balance sheet items in tier 1 & 2 incorporated societies

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Cash/Bank balances (cash equiv/petty cash)	16	23393	10913708	29092112	1818257	2736290
Term deposits	4	36223	3909251	5451500	1362875	1742594
Debtors	15	45186	30656556	37663235	2510882	7796182
Inventory/stock	8	465	348836	631274	78909	112862
Any other short-term assets	13	290	4079243	7664058	589543	1292802
Property Plant and Equipment incl. heritage	15	17843	39651144	59681350	3978757	10318255
Intangible assets	6	23427	337886	928887	154815	124881
Investments	9	550	9650000	13788302	1532034	3089838
GST Receivable	1	46160	46160	46160	46160	0
All other long term assets	4	11458	2200000	4173931	1043483	1098494
<b>Total assets</b>	<b>16</b>	<b>524756</b>	<b>93420244</b>	<b>159120809</b>	<b>9945051</b>	<b>22794549</b>
Bank overdrafts	1	400697	400697	400697	400697	0
Creditors	16	77524	4724039	14930336	933146	1285910
Unused grants/tagged donations	2	156877	250366	407243	203622	66107
Member loans	0	0	0	0	0	0
Other Borrowings (e.g. bank etc.)	2	308501	584246	892747	446374	194981
Employee related liabilities	8	28509	1827438	2637596	329700	613641
Lease Obligations	1	18826	18826	18826	18826	0
GST Payable	10	6576	136132	374868	37487	39832
Other liabilities	12	49186	1703065	6060899	505075	536659
<b>Total Liabilities</b>	<b>16</b>	<b>238588</b>	<b>8838788</b>	<b>25723212</b>	<b>1607701</b>	<b>2115517</b>
<b>Net assets total</b>	<b>0</b>	<b>286168</b>	<b>84581456</b>	<b>133397597</b>	<b>8337350</b>	<b>20679032</b>

### Appendix 3: Common Items found in categories

Category	Common Items
Administration and Overheads	Phone, Postage, Stationery, Advertising, Cleaning.
Fundraising	Raffles, "Fundraising", Quiz nights, Sale of coupon books.
Goods and Service Revenue	Revenue for hosted events (tournaments, conferences etc.), Sale of goods (Bar, canteen, clothing, sports equipment, publications etc.), Services (Coaching, workshops, classes etc.), Gambling machine income.
Governance	AGM Meetings, Costs to send representative to external conference, Costs associated with change in governance (e.g. president's changeover).
Other Expenditure	Generic (e.g. General, misc., sundry), Travelling, Reimbursements, Refunds, Subsidies, Professional fees, Fines and penalties (IRD, Red/Yellow cards for sports clubs etc.), Foreign currency losses, Welfare, Tax, Haggles.
Other Income	Generic (e.g. General, misc., Sundry), Advertising, Fines and penalties, Reimbursements, Rebates, Insurance claims, Royalties, Haggles, Prizemoney, Debt forgiven.
Rent and Build	Rates, Repairs and maintenance, Gas, Water, Electricity, Rent.
Service Delivery	Cost of hosting events (Prizes, Programmes, Levies etc.), Member entertainment (e.g. Social functions), Bar costs (e.g. Licences), Consumables (Uniforms, Sports equipment etc.).
Staff	Wages, ACC, Honorarium, Staff training.

## Appendix 4: List of Incorporated Societies

### Tier 4 Incorporated Societies

ARTHURS PASS COMMUNITY CENTRE INCORPORATED	EDGE CUMBE OUTDOOR BOWLING CLUB INCORPORATED
ASSOCIATION OF ACADEMIC STAFF AT CPIT INCORPORATED	EDGEWARE TENNIS CLUB INCORPORATED
ATHLETICS TAIERI INCORPORATED	ELAINE BAY COMMUNITY ASSOCIATION INCORPORATED
AUCKLAND LESBIAN BUSINESS ASSOCIATION INCORPORATED	ELLESMERE SENIOR CITIZENS CLUB INCORPORATED
AUCKLAND MULAN BOXING ASSOCIATION INCORPORATED	FRIENDS OF THE AUCKLAND PHILHARMONIA ORCHESTRA (INCORPORATED)
BALCLUTHA ASSOCIATION FOOTBALL CLUB INCORPORATED	GORE R.S.A. BOWLING CLUB INCORPORATED
BAYSIDE WESTHAVEN LITTLE LEAGUE BASEBALL INCORPORATED	GORE WOODWORKERS CLUB INCORPORATED
BIRKENHEAD CITY CRICKET & SPORTS CLUB (INCORPORATED)	GREY POWER GISBORNE INCORPORATED
BISHOPSCOURT SPORTING COMPLEX INCORPORATED	GREY POWER MERCURY BAY INCORPORATED
BLENHEIM CROQUET CLUB INCORPORATED	HALSWELL POTTERY GROUP INCORPORATED
BLENHEIM DANCING SOCIETY INCORPORATED	HASTINGS ROSE SOCIETY INCORPORATED
BOWLS NEW ZEALAND GREENKEEPING ASSOCIATION INCORPORATED	HAURAKI PROSPECTORS' ASSOCIATION INCORPORATED
CANTERBURY BOXING ASSOCIATION INCORPORATED	HAWERA COMMUNITY POLICE VOLUNTEERS CLUB INCORPORATED
CANTERBURY RECREATIONAL 4WD CLUB INCORPORATED	HAWERA SOCCER CLUB INCORPORATED
CANTERBURY WATER SKI ASSOCIATION INCORPORATED	HINDS SQUASH RACKETS CLUB INCORPORATED
CARLTON JUNIOR RUGBY FOOTBALL CLUB INCORPORATED	HUNTLY SWIMMING CLUB INCORPORATED
CENTRAL DISTRICTS CAT FANCIERS ASSOCIATION INCORPORATED	HUNTLY WEST BOWLING CLUB INCORPORATED
CENTRAL DISTRICTS POLO ASSOCIATION INCORPORATED	HUNTSBURY COMMUNITY CENTRE INCORPORATED
CHOW CHOW CLUB INCORPORATED	ILONGGO INTEGRATED ASSOCIATION INCORPORATED
CHRISTCHURCH FENCING ACADEMY INCORPORATED	INGLEWOOD SQUASH RACKETS CLUB INCORPORATED
CHRISTCHURCH LACEMAKERS INCORPORATED	JACKSON STREET PROGRAMME INCORPORATED
COMMODORE CAR CLUB OF N.Z. INCORPORATED	KEREPEHI BOWLING CLUB INCORPORATED
COURTENAY TENNIS CLUB INCORPORATED	KISSING POINT MARINE ASSOCIATION INCORPORATED
DOWNTOWN ROD & CUSTOM CLUB INCORPORATED	KNAPDALE DISTRICT HALL COMMITTEE INCORPORATED
DUART HOUSE CROQUET CLUB INCORPORATED	KUMEU CRICKET CLUB INCORPORATED
DUNEDIN ARCHERY CLUB INCORPORATED	LAKE CITY ATHLETIC CLUB INCORPORATED
DUNEDIN POLICE CLUB INCORPORATED	LIONS CLUB OF CROMWELL INCORPORATED
	LIONS CLUB OF MANIOTOTO INCORPORATED
	LONG GULLY RURAL WATER SCHEME INCORPORATED
	MANAWATU JAGUAR CLUB INCORPORATED
	MARCHING WELLINGTON INCORPORATED
	MARLBOROUGH VEGETABLE AND PROCESS GROWERS' SOCIETY INCORPORATED



MARTINBOROUGH BUSINESS ASSOCIATION INCORPORATED

MASTER PAINTERS NZ HAWKE'S BAY ASSOCIATION INCORPORATED

MATAMATA ROD AND CUSTOM CLUB INCORPORATED

MAUNU TENNIS CLUB INCORPORATED

MEADOWBANK BOWLING CLUB INCORPORATED

MEEANEE MEMORIAL HALL COMMITTEE INCORPORATED

MID-NORTHERN RODEO ASSOCIATION INCORPORATED

MOPAR CONNECTION NEW ZEALAND INCORPORATED

MOUNT MAUNGANUI BADMINTON CLUB INCORPORATED

NELSON-MIYAZU SISTER CITY ASSOCIATION INCORPORATED

NETBALL ROTORUA ASSOCIATION INCORPORATED

NEW LYNN ACTIVITY CENTRE INCORPORATED

NEW ZEALAND MUSLIM SPORTS ASSOCIATION INCORPORATED

NEW ZEALAND NETHERLANDS SOCIETY WELLINGTON INCORPORATED

NEW ZEALAND ORTHOPTIC SOCIETY INCORPORATED

NEW ZEALAND PAPUA NEW GUINEA BUSINESS COUNCIL INCORPORATED

NORML NZ INCORPORATED

NORTH OTAGO AERO CLUB INCORPORATED

NORTH SHORE BRANCH OF THE NEW ZEALAND ASSOCIATION OF RADIO TRANSMITTERS INCORPORATED

NORTH SHORE BREVET CLUB INCORPORATED

NORTH SHORE ROD & CUSTOM CLUB INCORPORATED

NORTHERN DIVISION OF THE NORTH TARANAKI INDOOR BOWLS INCORPORATED

NORTHLAND RUGBY REFEREES ASSOCIATION INCORPORATED

OMAHA BEACH COMMUNITY INCORPORATED

ONslow AMATEUR ATHLETIC CLUB INCORPORATED

OTAGO INDOOR BOWLS ASSOCIATION INCORPORATED

PAERATA EAST WATER SUPPLY INCORPORATED

PANIA SURFCASTING CLUB (HAWKES BAY) INCORPORATED

POVERTY BAY ASSOCIATION OF REGISTERED HAIRDRESSERS INCORPORATED

RAETIHI BOWLING CLUB INCORPORATED

RAGLAN MOTORCYCLE CLUB INCORPORATED

RAILWAY-EAST SMALLBORE RIFLE CLUB INCORPORATED

RAMS CREEK PISTOL CLUB INCORPORATED

RANGITIKEI SHEARING SPORTS INCORPORATED

REDWOODS VALLEY SOCIAL SOCIETY INCORPORATED

RIVERHEAD RESIDENTS & RATEPAYERS ASSOCIATION INCORPORATED

ROTARY CLUB OF WAIKATO SUNRISE INCORPORATED

ROTORUA CHURCH OF SPIRITUAL HEALING INCORPORATED

ROTORUA HOSPITAL AUXILIARY INCORPORATED

ROYAL NEW ZEALAND NAVAL WOMEN'S ASSOCIATION INCORPORATED

RUNANGA RUGBY FOOTBALL LEAGUE CLUB INCORPORATED

SILVERDALE SQUASH CLUB INCORPORATED

SOUTHLAND DISTRICT RUGBY FOOTBALL LEAGUE INCORPORATED

SOUTHLAND HERB SOCIETY INCORPORATED

STEVENSONS WAY RESIDENTS SOCIETY INCORPORATED

TAPORA GOLF CLUB INCORPORATED

TARANAKI WINDSURFING CLUB INCORPORATED

TAUPO COUNTRY MUSIC CLUB INCORPORATED

TAYLORS MISTAKE ASSOCIATION INCORPORATED

TE ARAWA MAORI RETURNED SERVICES LEAGUE INCORPORATED

TE AWAMUTU BADMINTON CLUB INCORPORATED

TE KUITI ROD & CUSTOM CLUB INCORPORATED

TE WHANAU-A-APANUI RETURNED AND SERVICES' ASSOCIATION INCORPORATED

THE ADDINGTON NEIGHBOURHOOD ASSOCIATION INCORPORATED

THE AUCKLAND HERB SOCIETY INCORPORATED

THE CLAN GUNN SOCIETY OF NEW ZEALAND INCORPORATED

THE COLLINGWOOD RUGBY FOOTBALL CLUB INCORPORATED

THE GISBORNE MARINA DEVELOPMENT SOCIETY INCORPORATED

THE GOLDEN BAY ORCHESTRAL SOCIETY INCORPORATED

THE HIKURANGI RUGBY UNION FOOTBALL CLUB HIKURANGI INCORPORATED

THE HOUND RACING CLUB INCORPORATED

THE KERIKERI CONTRACT BRIDGE CLUB INCORPORATED

THE LINCOLN BOWLING CLUB INCORPORATED

THE MARLBOROUGH EMBROIDERERS GUILD INCORPORATED

THE MOUNT HUTT RAKAIA RIVER BANK WATER SUPPLY ASSOCIATION INCORPORATED

THE NEW ZEALAND ANGLING & CASTING ASSOCIATION INCORPORATED

THE NEW ZEALAND INSTITUTE OF LEGAL EXECUTIVES ROTORUA/BAY OF PLENTY/ GISBORNE INCORPORATED

THE OTAGO HERB SOCIETY INCORPORATED

THE PIPES AND DRUMS OF PALMERSTON NORTH AND DISTRICTS INCORPORATED

THE ROTARY CLUB OF LINCOLN INCORPORATED

THE ROTARY CLUB OF TE AWAMUTU INCORPORATED

TOKOROA ASSOCIATION FOOTBALL CLUB INCORPORATED

TOKOROA SHOOTING SPORTS COMPLEX SOCIETY INCORPORATED

TOKOROA SPORTS FISHING ASSOCIATION INCORPORATED

TUAKAU/HARRISVILLE PONY CLUB INCORPORATED

VINTAGE CAR CLUB OF NEW ZEALAND EASTERN BAY OF PLENTY BRANCH INCORPORATED

VOLLEYBALL OTAGO INCORPORATED

WAIKATO INDOOR BOWLING CENTRE OF NEW ZEALAND INCORPORATED

WAITAKERE GREY POWER ASSOCIATION INCORPORATED

WAITEMATA COUNTRY MUSIC CLUB INCORPORATED

WAITOMO RADIO TELEPHONE USER'S ASSOCIATION INCORPORATED

WELLINGTON PHILATELIC SOCIETY INCORPORATED

WELLINGTON VAUXHALL-BEDFORD CLUB INCORPORATED

WEST COAST CRICKET ASSOCIATION INCORPORATED

WHANGAMATA BOWLING CLUB INCORPORATED

WHANGAPARAOA TENNIS CLUB INCORPORATED

### Tier 3 Incorporated Societies

ADVERTISING STANDARDS AUTHORITY INCORPORATED

AMBERLEY TROTTING CLUB INCORPORATED

ANGEL ASSOCIATION NEW ZEALAND INCORPORATED

AORANGI SKI CLUB INCORPORATED

ARGOS GYMNASTIC CLUB INCORPORATED

ARMISTICE IN CAMBRIDGE INCORPORATED

AUCKLAND PAINTING CONTRACTORS ASSOCIATION INCORPORATED

AUCKLAND PROPERTY INVESTORS ASSOCIATION INCORPORATED

AUSTRALIAN AND AOTEAROA NEW ZEALAND PSYCHODRAMA ASSOCIATION INCORPORATED

AVON ROWING CLUB INCORPORATED

BANKS PENINSULA TROTTING CLUB INCORPORATED

BLACKCURRANTS NZ INCORPORATED

BROADWAY PARK RESIDENTS SOCIETY INCORPORATED

BROWNS BAY BOWLING CLUB INCORPORATED

BUSH AND SOUTHERN HAWKES BAY DISTRICTS VETERINARY CLUB INCORPORATED

CANTERBURY & WESTLAND ELECTRICAL CONTRACTORS ASSOCIATION INCORPORATED

CANTERBURY HOCKEY ASSOCIATION INCORPORATED

COMBINED SERVICES CLUB TWIZEL INCORPORATED

COOPERATIVE BUSINESS NEW ZEALAND INCORPORATED

CORENET GLOBAL NEW ZEALAND INCORPORATED

CROATIAN CULTURAL SOCIETY OF NEW ZEALAND (HRVATSKO KULTURNO DRUSTVO) INCORPORATED

DAIRY COMPANIES ASSOCIATION OF NEW ZEALAND INCORPORATED

DYNAMIC RHYTHMIC GYMNASTICS INCORPORATED

DYNAMO CYCLING & SPORTS CLUB INCORPORATED

EDANZ - THE ECONOMIC DEVELOPMENT ASSOCIATION OF NEW ZEALAND INCORPORATED

EVENTING AUCKLAND INCORPORATED

EXERCISE ASSOCIATION OF NEW ZEALAND INCORPORATED

FEDERATED MOUNTAIN CLUBS OF NZ INCORPORATED

FOREST INDUSTRY CONTRACTORS ASSOCIATION INCORPORATED

GISBORNE BRANCH OF THE 2ND NZEF ASSOCIATION INCORPORATED

GOLDEN COAST CHARTERED CLUB INCORPORATED

GORE TOWN AND COUNTRY CLUB INCORPORATED

GOVERNMENT SUPERANNUITANTS ASSOCIATION OF NEW ZEALAND INCORPORATED

HAURAKI GOLF CLUB INCORPORATED

HIBISCUS COAST BOATING CLUB INCORPORATED

HURRICANES YOUTH RUGBY COUNCIL INCORPORATED

INDEPENDENT TERTIARY EDUCATION NEW ZEALAND INCORPORATED

INVERCARGILL GOLF CLUB INCORPORATED

INVERCARGILL HARNESS RACING CLUB INCORPORATED

KAIKOURA TROTTING CLUB INCORPORATED

KAITAKE GOLF CLUB INCORPORATED

KAWHIA BOATING AND ANGLING CLUB INCORPORATED

KING COUNTRY RUGBY FOOTBALL UNION INCORPORATED

LAKE WANAKA TOURISM INCORPORATED

LEVIN CLUB INCORPORATED

LEVIN COSMOPOLITAN CLUB INCORPORATED

LIONS CLUB INTERNATIONAL DISTRICT 202L INCORPORATED

LITTLE PIPIS CHILDCARE INCORPORATED

MAHUNGA GOLF CLUB INCORPORATED

MANGAWHAI CLUB INCORPORATED

MANGAWHAI GOLF CLUB INCORPORATED

MANUREWA RETURNED AND SERVICES' ASSOCIATION INCORPORATED

MARLBOROUGH HARNESS RACING CLUB INCORPORATED

MASSEY RUGBY UNION FOOTBALL AND SPORTS CLUB INCORPORATED

MASTERTON MOTORPLEX INCORPORATED

MATIERE COSMOPOLITAN CLUB INCORPORATED

METHVEN TROTTING CLUB INCORPORATED

MINEX HEALTH AND SAFETY COUNCIL OF NEW ZEALAND INCORPORATED

MOTORSPORT NEW ZEALAND INCORPORATED

MOUNT OCEAN SPORTS CLUB INCORPORATED

NATIONAL ASSOCIATION OF STEEL-FRAMED HOUSING INCORPORATED

NATIONAL ROAD CARRIERS INCORPORATED

NELSON BAYS FOOTBALL INCORPORATED

NELSON NETBALL CENTRE INCORPORATED

NELSON SUBURBS FOOTBALL CLUB INCORPORATED

NEW ZEALAND BADMINTON FEDERATION INCORPORATED

NEW ZEALAND BOARDING SCHOOLS ASSOCIATION INCORPORATED

NEW ZEALAND FINANCIAL MARKETS ASSOCIATION INCORPORATED

NEW ZEALAND KENNEL CLUB INCORPORATED

NEW ZEALAND MARINE EXPORT GROUP INCORPORATED

NEW ZEALAND SELF-MEDICATION INDUSTRY ASSOCIATION INCORPORATED

NEW ZEALAND TRAFFIC INSTITUTE INCORPORATED

NEW ZEALAND TRUCKING ASSOCIATION INCORPORATED

NEWTOWN RESIDENTS ASSOCIATION INCORPORATED

NGATI RANGI DEVELOPMENT SOCIETY INCORPORATED

NGONGOTAHA BOWLING CLUB INCORPORATED

NO. 7 DISTRICT FEDERATION OF NEW ZEALAND SOCCER INCORPORATED

OAMARU JOCKEY CLUB INCORPORATED

OHARIU VALLEY GOLF CLUB INCORPORATED

ONEHUNGA AND DISTRICTS BOWLING CLUB INCORPORATED

OSTEOPATHS NEW ZEALAND INCORPORATED

OTAGO SPORTS CAR CLUB INCORPORATED

OTARA BUSINESS ASSOCIATION INCORPORATED

PACKAGING COUNCIL OF NEW ZEALAND INCORPORATED

PALMERSTON NORTH BASKETBALL ASSOCIATION INCORPORATED

PINEGLADES NATURIST CLUB INCORPORATED

PINES GOLF CLUB INCORPORATED

PLIMMERTON BOATING CLUB INCORPORATED

PORIRUA CITY AQUATICS INCORPORATED

POVERTY BAY KAYAK CLUB INCORPORATED

PROFESSIONAL ADVISERS ASSOCIATION INCORPORATED

PT CHEVALIER RUGBY LEAGUE FOOTBALL CLUB INCORPORATED

PUKEKOHE COSMOPOLITAN CLUB INCORPORATED

PUTARURU GOLF CLUB INCORPORATED

RANGIORA GOLF CLUB INCORPORATED

RANGITAIKI COSMOPOLITAN CLUB INCORPORATED

REDWOOD TRUST INCORPORATED

RIMUTAKA GYMSPORTS INCORPORATED

SCREEN PRODUCTION AND DEVELOPMENT ASSOCIATION OF NEW ZEALAND INCORPORATED

SOUTHERN PEST ERADICATION SOCIETY INCORPORATED

SOUTHERN UNITED FC INCORPORATED

SOUTHERN UNITED RUGBY FOOTBALL CLUB INCORPORATED

SOUTHLAND BADMINTON ASSOCIATION INCORPORATED

SYDENHAM RUGBY FOOTBALL CLUB INCORPORATED

TANGIMOANA BOATING CLUB INCORPORATED

TARGET SHOOTING NEW ZEALAND INCORPORATED

TE AWAMUTU & DISTRICT MEMORIAL R.S.A. INCORPORATED

TE PUKE CLUB INCORPORATED

THAMES CLAY TARGET CLUB INCORPORATED

THE BIRKENHEAD BOWLING CLUB INCORPORATED

THE BIRKENHEAD RETURNED AND SERVICES' ASSOCIATION INCORPORATED

THE GREENS, THE GREEN PARTY OF AOTEAROA /NEW ZEALAND INCORPORATED

THE INDEPENDENT SCHOOLS EDUCATION ASSOCIATION INCORPORATED

THE INSURANCE COUNCIL OF NZ INCORPORATED

THE NEW ZEALAND ASSOCIATION OF ORTHODONTISTS INCORPORATED

THE NEW ZEALAND ASSOCIATION OF RADIO TRANSMITTERS INCORPORATED

THE NEW ZEALAND BOARD FOR ENGINEERING DIPLOMAS INCORPORATED

THE NEW ZEALAND COLLEGE OF CLINICAL PSYCHOLOGISTS INCORPORATED

THE NEW ZEALAND INSTITUTE OF BUILDING INCORPORATED

THE NEW ZEALAND PRESS COUNCIL INCORPORATED

THE NGARUAWAHIA R.S.A MEMORIAL CLUB INCORPORATED

THE OKURA PARK ESTATE RESIDENTS' ASSOCIATION INCORPORATED

THE OTAGO CHAMBER OF COMMERCE INCORPORATED

THE PROPERTY INSTITUTE OF NEW ZEALAND INCORPORATED

THE REMUERA BUSINESS ASSOCIATION INCORPORATED

THE SOUTH CANTERBURY DISTRICT CRICKET ASSOCIATION INCORPORATED

TONGARIRO CHARTERED CLUB INCORPORATED

UNIQUELY NELSON INCORPORATED

VICTORIA BOWLING CLUB INCORPORATED

WAIHI MEMORIAL R.S.A. (INCORPORATED)

WAIKATO TOUCH ASSOCIATION INCORPORATED

WAIMAKARIRI GORGE GOLF CLUB INCORPORATED

WAIRARAPA CRICKET ASSOCIATION INCORPORATED

WAIRARAPA SERVICES AND CITIZENS CLUB INCORPORATED

WAKATIPU ROWING CLUB INCORPORATED

WANGANUI GOLF CLUB INCORPORATED

WASTE MANAGEMENT INSTITUTE NEW ZEALAND INCORPORATED

WAVERLEY RACING CLUB INCORPORATED

WELLINGTON RUGBY LEAGUE ZONE OF NZRL INCORPORATED

WEST END NEW PLYMOUTH BOWLING CLUB INCORPORATED

WHANGAMATA RETURNED AND SERVICES' ASSOCIATION INCORPORATED

WHANGAROA SPORT FISHING CLUB INCORPORATED

WILTON BOWLING CLUB INCORPORATED

WYNDHAM HARNESS RACING CLUB INCORPORATED

YFU NEW ZEALAND INCORPORATED

### Tier 1 & 2 Incorporated Societies

FOREST GROWERS LEVY TRUST INCORPORATED

HAWKES BAY RUGBY FOOTBALL UNION INCORPORATED

JAE GROUP INCORPORATED

MEDIA, ENTERTAINMENT & ARTS ALLIANCE (NEW ZEALAND) INCORPORATED

NEW ZEALAND RETAILERS ASSOCIATION INCORPORATED

NEW ZEALAND THOROUGHBRED RACING INCORPORATED

NEWSPAPER PUBLISHERS ASSOCIATION NEW ZEALAND INCORPORATED

NORTHERN DISTRICTS CRICKET ASSOCIATION INCORPORATED

OTAGO RUGBY FOOTBALL UNION INCORPORATED

SNOW SPORTS NEW ZEALAND INCORPORATED

THE AUCKLAND RACING CLUB INCORPORATED

THE COUNTIES RACING CLUB INCORPORATED

THE NEW ZEALAND HOCKEY FEDERATION INCORPORATED

THE NEW ZEALAND WATER AND WASTES ASSOCIATION INCORPORATED

THE NURSERY AND GARDEN INDUSTRY ASSOCIATION OF NEW ZEALAND INCORPORATED

WELLINGTON RUGBY FOOTBALL UNION INCORPORATED