

At a glance

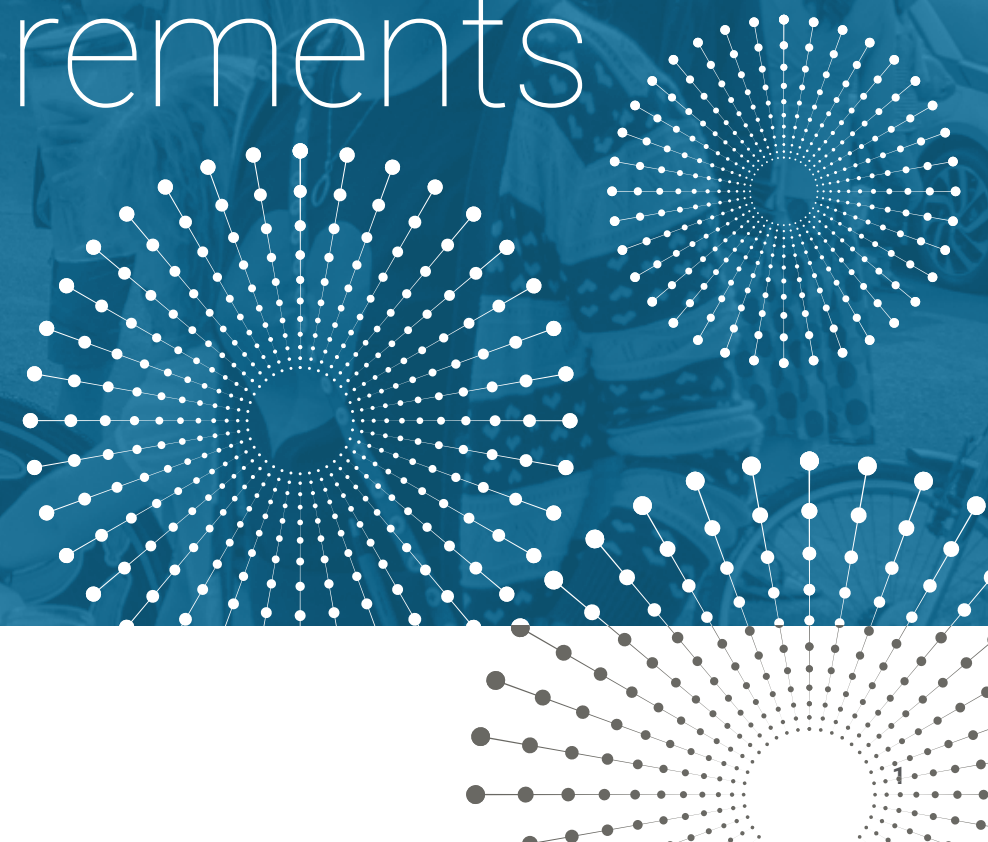
Tier 4 Not-for-profit Reporting Requirements

Proposed improvements to the
Tier 4 (NFP) Standard

A decorative graphic consisting of four slanted rectangular bars in shades of green, grey, blue, and orange.

May 2022

Consultation closes 30 September





What is this consultation about?

Who is the External Reporting Board (XRB)?

We are the Independent Crown Entity responsible for developing and implementing accounting, audit and assurance and climate reporting standards for New Zealand. We exist to enable the highest quality decision making for resource allocation for the benefit of Aotearoa New Zealand.

The Tier 4 (NFP) Standard

The Tier 4 (NFP) Standard sets out the reporting requirements for Tier 4 NFP entities when preparing their annual Performance Reports. The Standard requires an entity to provide information about the cash received and cash paid over the past financial year, together with non-financial information about what the entity has done over the same period.

The objective of the Tier 4 (NFP) Standard is to provide readers with a Performance Report containing useful and relevant information about an entity's performance for the previous year – both in financial and non-financial terms. This annual reporting is fundamental to ensuring that transparency, accountability and trust in the not-for-profit sector is maintained.

The Standard is used by NFPs (such as registered charities) with annual operating payments under \$140,000.

Why amend the Tier 4 (NFP) Standard?

Achieving an appropriate balance between the costs and benefits of preparing Tier 4 Performance Reports is an ongoing focus of the XRB. In 2020 we consulted with the sector to assess where improvements could be made to the Standard, not just in terms of simplification and ease of reporting, but also in terms of the usefulness of the information produced.

The feedback provided two key messages.

- Overall, the Tier 4 (NFP) Standard is working well and is achieving its desired objectives.
- However, there was strong support from some respondents to reduce the length and complexity of the Standard to support increased adoption and consistent application.

In response, we are proposing amendments to simplify and improve the Tier 4 (NFP) Standard, which is the focus of this consultation.



Proposed amendments

Simplification of Tier 4 (NFP) Standard

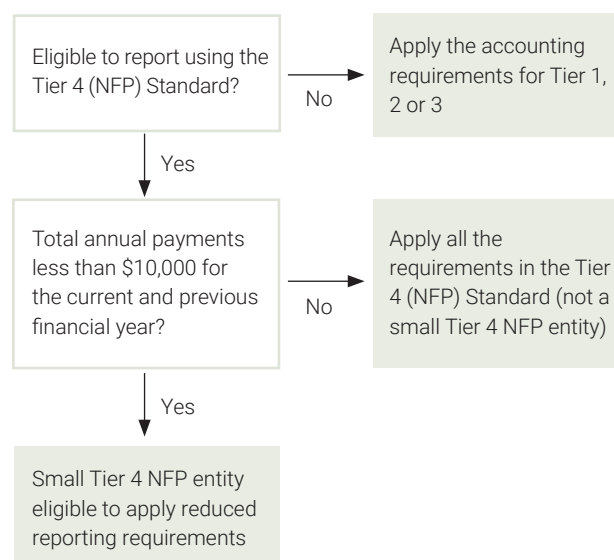
Reducing complexity to meet user needs and promote increased adoption and consistent application


- We have completed a comprehensive review of the Tier 4 (NFP) Standard to identify opportunities to simplify and re-express the existing requirements using plain English and removing technical accounting terms.
- Optional disclosures removed, allowing for a focus on minimum reporting requirements.
- The process of simplification has resulted in the page count of the Tier 4 (NFP) Standard being reduced from 31 pages to 19.

Reduced reporting requirements for “small” Tier 4 NFP entities

Meeting the needs of the smaller NFP entities

Defining a “small” Tier 4 NFP entity



- Small Tier 4 NFP entities often have limited resources available and find it difficult to attract and retain volunteers or staff who understand the annual reporting requirements.
- To make it easier for these entities, a small Tier 4 NFP entity is not required to comply with all the requirements in the Tier 4 (NFP) Standard – those requirements marked with a square cross symbol  are not mandatory.



Proposed amendments

Service performance reporting

New and updated guidance to help entities tell their story

- Removing references to “outcomes” and “outputs”
- Retain the requirement for a Tier 4 NFP entity to report on what it is seeking to achieve over the medium to long term (i.e. its objectives) and the significant activities undertaken during the period to achieve those objectives.

Tier 4 – Statement of Service Performance

Describes what the entity is aiming to achieve over the medium to long term

Describes the significant activities the entity has undertaken during the financial year to advance its objectives

Quantifies to the extent practicable the significant activities undertaken during the financial year – concession for small Tier 4 entities

Required categories

Introducing additional disaggregation and clarifying the application of existing categories

- Increase in the number of required categories for presenting cash received and cash paid.
- Additional categories or detail regarding cash received and cash paid for the period may be presented in the notes.
- Refer to Appendix A for the proposed required categories.

Statement of Resources and Commitments

No longer required, but certain disclosures are necessary

- The Statement of Resources and Commitments is no longer deemed necessary for entities applying cash-based standards.
- Disclosure is required for significant assets and liabilities in the notes to the Performance Report.
- Significant assets – disclose either the amount paid or the estimated current value. The value of land and buildings may be estimated using rateable values.
- Significant amounts owing to external parties – disclose the amount expected to be paid in the future to fully settle the liability.



Proposed amendments

Appendix A: Amendments – Required Categories for presenting cash received and cash paid

Tier 4 (NFP) cash received categories

Proposed categories

Donations, koha, bequests, and other fundraising

Grants received [Excluding service delivery grants/contracts]

Funding from service delivery grants/contracts

Sale of goods or services (commercial activities)

Membership fees or subscriptions

Interest or dividends received

Other cash received

Tier 4 (NFP) cash paid categories

Proposed categories

Fundraising costs

Employee remuneration

Volunteer and other employee costs

Costs related to the sale of goods or services (commercial activities)

Other costs related to the delivery of entity objectives

Grants and donations paid

Other cash paid



Over to you...

We are keen to hear your feedback and this can be provided formally and informally.

The full consultation document can be found here:

<https://www.xrb.govt.nz/consultations/accounting-standards-open-for-consultation/tier-4-reporting>

To provide feedback you can:

Email us
accounting@xrb.govt.nz

Submit via
www.xrb.govt.nz

Comment on our
LinkedIn page

Consultation closes 30 September 2022

