

KEEPING ON THE GOOD SIDE OF CHARITIES SERVICES

A number of charities, including two of those controlled by Destiny Church, have recently made the headlines after being advised that they will be deregistered by Charities Services. The organisations can appeal these decisions, but this is an example of Charities Services continuing to monitor registered charities, and taking action where those charities have been non-compliant.



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THERE ARE MANY BENEFITS OF being a registered charity such as:

- The ability to apply for funding that is only available to registered charities
- Exemption from income tax on all or some of your income
- Eligible for donee organisation status – providing donors with a tax rebate for donations made
- Improved public trust and confidence as information about the charity is readily available on the Charities Register

Most of the publicity about the deregistration of the Destiny Church organisations was in relation to the loss of their tax-free status. Deregistration also means that the charity loses its donee status. This would have the effect of reducing donations from the public because the donor is no longer able to get a donations tax credit for donations made.

There are many publicly available examples of registered charities losing their charitable status for reasons such as:

- Not filing annual returns (Destiny Church)
- Not advancing exclusively charitable purposes (Family First)
- Not operating with charitable purposes (New Zealand Rowing Association Incorporated)
- Providing private benefits not a public benefit (New Zealand Global Women)
- Promotion of a point of view (The Immunisation Awareness Society Incorporated)

In addition, many charities have been threatened with deregistration because of their failure to file annual returns and lodging accounts with Charities Services by their due dates. What can officers of registered charities do to ensure that their charity maintains its registered charity status?

- Ensure that annual returns are filed on time;
- If the financial statements are being audited, ensure that they are prepared in a timely manner, giving time for the auditors to complete the audit before the annual return is due;
- Ensure that the financial statements prepared are in accordance with the correct reporting standards.
- Carry out activities that are exclusively for a charitable purpose and is for the public benefit;
- Know the rules of the registered charity and ensure that you operate in accordance with those rules;
- Ensure that the charity is not providing any private benefits;
- Keep the information provided to Charities Services up to date;
- Ensure any changes in rules, officers or addresses are advised to Charities Services;
- Comply with any information requests by Charities Services

The annual return must be filed within 6 months of balance date. From the commentary surrounding the de-registration of the Destiny Church charities, the reason was because no annual returns had been filed for 2 years. Some of the information required in the annual returns such as average hours worked for the charity and numbers of paid employees and volunteers need to be maintained during the year. Registered charities need to be aware of the disclosures required in the annual return prior to filing to ensure that they can file on time.

The financial reporting requirements for registered charities changed for the 2016 financial year and many charities are making errors with the new reporting standards, including providing too little information or, in many cases, providing more information than what is required. For example, it may not be necessary to provide breakdowns for various items in the notes to the performance report, but many charities provide this information as they believe they are required to.

The new reporting standards also require registered charities to provide information regarding the registered charity such as how it raises funds, its main sources of cash and resources. The registered charity is also required to prepare a Statement of Service Performance and outline what the entity's outcomes are and how they have been achieved. It is important that charities think carefully of the outcomes they are aiming to achieve and how that will be measured. For example, an outcome for a charity providing parenting education and support could be the number of attendees at classes during the year. Charities Services reviews the information provided in these reports and may at times cross reference this information to that provided on the Charities Services website. This could include checking whether the income from classes agrees to the number of attendees at class times, and the cost per class as listed on the website. If these do not agree, Charities Services may require additional information to reconcile the difference. Charities Services will also look at the governance of the charity and may make recommendations to improve the governance, such as requiring further officers be appointed.

Charities Services is an active organisation ensuring that only genuine charities maintain their registered charity status. It is important that charities get it right. Staples Rodway can assist charities in ensuring that they stay on the right side of Charities Services and continue to reap the benefits and rewards of being a registered charity, and to achieve their charitable objectives.