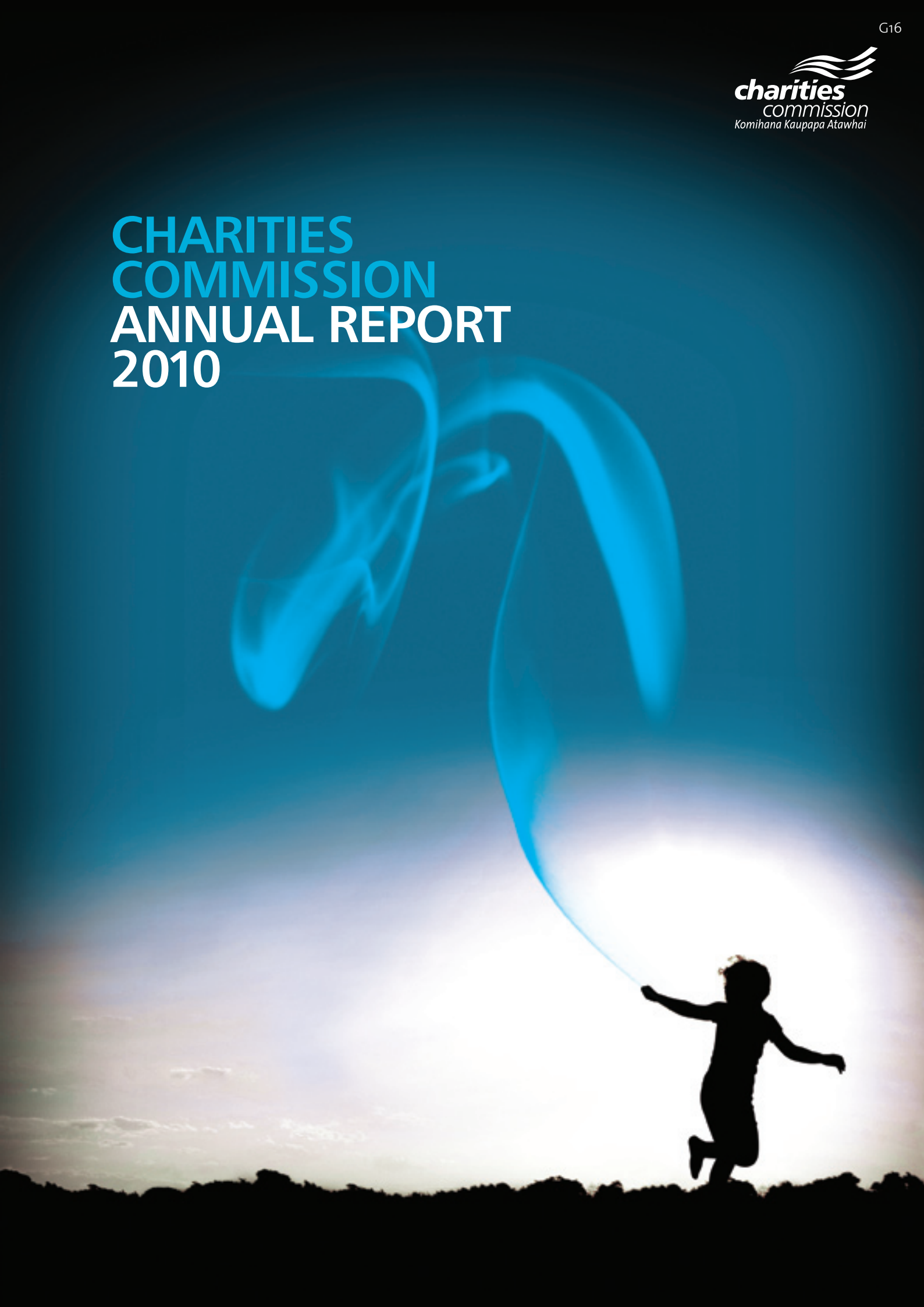
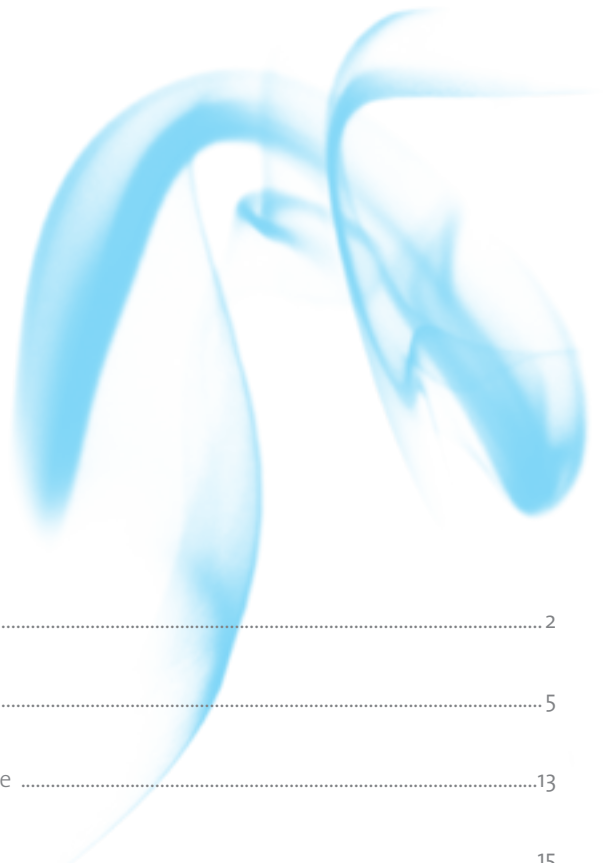


CHARITIES COMMISSION ANNUAL REPORT 2010





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Komihana Kaupapa Atawhai

The formal definition of Komihana Kaupapa Atawhai is 'the Commission that embraces and supports philanthropic principles and practices'.

The name was given by previous Commission Board member, Amohaere Houkamau, after consultation with iwi.

Chairperson's Review



In 2010, the Charities Commission marked five years since its establishment by the Charities Act, which came into effect on 1 July 2005.

For the Board and staff of the Commission, this was a significant occasion. The Commission is now operating in a more mature stage of its development, having completed the tail-end of the initial registration period, and turned its focus more strongly towards fulfilling its compliance and education mandate.

For charities themselves, and for members of the public, the Commission's five years of operation – and its achievements since that date – are also significant.

Together with past and present colleagues on the Commission's Board, and others, I was a member of the 2002 Charities Working Party, which recommended the introduction of a registration, reporting and monitoring regime for the charitable sector.

It is very pleasing to see that our vision at that time for an agency that supports and strengthens the sector, and enables the public to maintain their trust and confidence in charities, has been largely achieved during the past five years – and indeed, enhanced and improved upon since the Commission began its work.

As part of the Working Party's consultation, it gathered considerable feedback from both the sector and the public about their needs and concerns, and from government agencies whose mandates touched upon the sector. Those views were reflected in the design of the recommendation to establish an autonomous Charities Commission, and provide it with powers to register, monitor and assist charities with education; and to deal effectively with any charities that fail to provide the level of assurance required by the public.

At the time of the Working Party's recommendation, there was no reliable or current information available about the sector (and no easy way of collecting it), and no simple way for members of the public to check the bona fides of organisations claiming charitable status. As well, there was no single agency with which members of the charitable sector, the public or the government could engage in matters relating to charities, and their operations or activities.

Now, however, much has changed. The Board has been pleased to receive feedback from charities and from members of the public reflecting the contribution the Commission's work has already begun to make to a more effective and transparent sector, and which supports it in achieving its charitable purposes.

It has also been pleasing to note that the Commission has worked hard to resolve or mitigate concerns raised by the sector at the time of the Commission's establishment and as it has undertaken its work.

One of those concerns was that greater transparency might detract from donors' willingness to support charities, particularly in light of publicity about some registered charities' apparently

high fundraising costs. However, research undertaken by the Commission since it launched the Charities Register has tended to confirm the view that stronger "sunlight" on charities' access to and use of funds is more likely to increase donors' confidence in them, and positively influence their decisions to support individual charities.

The Commission has continued its efforts to make it as straightforward as possible for charities to obtain and maintain registration. It has continued to make improvements to its processes and to provide clear and helpful information to enable charities to access the benefits of registration, and to keep their main focus on their charitable activities.

As well, the Commission's work has sometimes achieved unlooked-for benefits for the sector, the public, and other government agencies.

Given recent economic turmoil, and the ongoing need for government, business and the charitable sector to demonstrate efficiency, value and that they are "making a difference", it appears especially timely to now have the Register – which provides for greater transparency and clarity – publicly available to provide greater assurance to the supporters and funders of charities.

The Board also notes the maturity and prudence with which the sector has responded to greater demand for its services, and to greater public scrutiny. We observe that charities are using opportunities – some of them provided by the Commission – to work more closely together and to leverage their resources, skills and knowledge to better help the people and causes they were set up to serve.

Increasingly, charities are also seeking guidance and support from the Commission, to help them to build on

their strengths and increase the efficiency and effectiveness of their operations.

Charities are also beginning to acknowledge the opportunities afforded by their presence on the Charities Register, to provide information to donors and supporters about how they are using their money, how they are fulfilling their purposes, and the difference they are making.

The Register has also provided some unlooked-for benefits to other government agencies, who have been able to work with the Commission to communicate with charities who may be affected by – for example – changes in legislation, or to offer them opportunities to provide consultation input, or to access relevant training and support.

The Board also notes that there has been a growing awareness amongst the public, funders, researchers, academics, news media and government agencies of the work of the Commission, and its achievement in making available relevant, current information about charities, to better inform both opinions and decision-making.

One of the results of their interest in the work of the Commission has been greater public debate about the meaning and relevance of the legal definition of “charitable purpose”. The Board has long been keen to encourage such public discussion, and to increase understanding of what it means to be “charitable”.

To that end, the Commission has itself chosen to be as transparent as possible and to make available to the public its written decisions declining or deregistering entities.

Although being “charitable” may have, over time, become synonymous in everyday conversation simply with “doing good works”, the term “charitable purpose” has a special meaning in law. It may

include some purposes the public would not consider to be charitable and it may exclude other purposes the public would consider to be charitable.

This is especially so in relation to matters of “advocacy” and charitable purpose. As with every other decision made by the Commission, each charity’s circumstances are reviewed on a case-by-case basis, to ensure that any advocacy undertaken by the charity falls within the charitable purposes test.

It is the Commission’s role to apply the law as it has been determined by the courts and the Charities Act, reflecting both the “spirit and intentment” of the earliest legal definition of “charitable purpose” and courts’ evolving application of the law to modern-day circumstances.

A “first principles” legislative review of the Charities Act is scheduled to be conducted in 2015 by the Department of Internal Affairs. The Board expects that matters relating to the meaning of “charitable purpose” and related issues such as “advocacy” may also be considered at that time.

The Board’s decisions are informed by the legal advice of the Commission’s staff, and bound by a desire to apply the law as consistently and transparently as possible, so that potential applicants for registration have access to good guidance about how the Commission will apply the law; and can understand the implications for their organisation.

In doing so, the Board has been fortunate to have members with a broad range of knowledge and experience of the charitable sector, and with specific expertise relating to charities and the charitable purposes they carry out.

I would like to thank two members in particular, Judith Timpany and Ian Calder, whose second terms on the Commission’s Board expired in August 2010. The Board

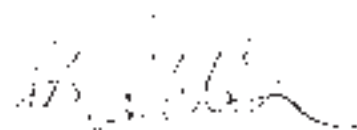
and Commission join in wishing them both the very best for the future, and continued success and enjoyment in their work with the charitable sector.

I would also like to warmly welcome the Minister’s appointment of two new members: Judith Stanway and Kenneth Williams.

I would also like to use this opportunity to sincerely thank our Minister, the Hon. Tariana Turia, for her support and for the great interest she has taken in the Commission and its work, and for her willingness to engage with us and members of the charitable sector.

Lastly – but certainly not least – the Board also wishes to thank the management and staff of the Commission, who continue to use their considerable energy and initiative to carry out the Commission’s work, and serve both charities and the public.

This coming year, more than ever, the Board believes that the Commission must continue to provide value to the public and the charities it serves, to ensure that public trust and confidence is maintained, and charities are able to operate efficiently and effectively in carrying out their vital work.



Sid Ashton

Chair

Background

The Charities Commission (the Commission) was created as an Autonomous Crown Entity on 1 July 2005.

It was established by the Charities Act, which was passed in April 2005.

The Board was first appointed in June 2005. Seven Board members, each contributing a range of experience in both the national and international charity sector, and skills in governance, senior public and private sector management, law, accounting, iwi development, the arts and church activities – and, more recently, operational and governance experience in the education and sport sectors – have guided the strategic development of the Commission.

The Board's vision is of a strong charitable sector for New Zealand, which enjoys a high level of public trust and confidence.



The Commission's Role

The role of the Charities Commission, as set out in the *Charities Act 2005*, is to:

- Promote public trust and confidence in the charitable sector
- Encourage and promote the effective use of charitable resources
- Educate and assist charities in relation to matters of good governance and management
- Make appropriate information available to assist people to make registration applications
- Receive, consider and process applications for the registration of charitable entities
- Ensure that the Register of charitable entities is compiled and maintained
- Receive, consider and process Annual Returns submitted by charitable entities
- Supply information and documents in appropriate circumstances for the purpose of the Inland Revenue Acts
- Monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities
- Inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity
- Monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances
- Consider, and report and make recommendations on any matters relating to charities
- Stimulate and promote research into any matter relating to charities.

Chief Executive's Report



Charities operate with many different purposes, and vary widely in their relative size, income, complexity and activities. However, the past year has seen many of them sharing the common experience of increased demand for their services, coupled with a drop in income or the value of their assets.

Charities have had to work much harder for donations, and to make the best possible use of more thinly-stretched resources. Some have experienced greater public scrutiny of their use of their money, and of donors' increasing requirement for assurance that their donation is being put to good effect, and directly contributing to "making a difference" rather than being spent on staff or administration.

During the discussions we have had with charities, many have told us of the difficulties of attracting volunteers and retaining well-qualified officers.

Some causes and needs are very large and complex, and progress may sometimes seem frustratingly slow, but nonetheless, they remain important enough for many charities – and the people involved with them – to continue to want to provide their help.

Our priorities during the year

Since its establishment, the Commission has been mindful of charities' needs and the challenges of the environment in which they work, and has made considerable effort to maintain effective two-way communications, and to be responsive and supportive.

Within the last year, as part of our ongoing efforts to assist charities, we have: improved our application processing times; and continued to simplify and improve our guidance and processes when applying for registration or filing Annual Returns. Seeking to provide "added value" to charities, we have also run a programme of forums for charities and their advisers, provided access to educative materials relating to governance and management, and conducted research relating to trust and confidence in the sector and to donor attitudes and behaviour, that charities can use to inform their promotional and fundraising activities.

We are equally conscious of our accountability to the public, who support

and sustain the charitable sector. The public expect relevant information about charities to be transparent and accessible, and that only genuinely charitable organisations will be registered, and able to access tax advantages, that are, ultimately, supported by taxpayers. The public expect that charities will be monitored to ensure they comply with the law, and that any charity whose behaviour compromises public trust and confidence will be dealt with fairly and firmly.

Over the past year, to support public confidence in charities, the Commission has improved its website, to make it easier for the public to access relevant information about charities and the charitable sector. From Annual Returns filed by charities, it has published a considerable body of information about charities' resources and use of funding. Using the information now available to it from both the Register and external sources, the Commission's monitoring and investigation team enquired into charities' operations, and acted, where it found cause, to remove charities from the Register. The Commission also began publishing its detailed decisions on its website, to make its decisions transparent, and to enable greater understanding of what is meant by "charitable".

The Commission has continued to work with other government agencies who touch upon charities, and who have policies and programmes relating to them. We have contributed relevant information from the Register, and, where appropriate, passed on the issues and concerns about which we have had feedback from the sector.



www.charities.govt.nz



The Commission has observed significantly increased “traffic” to its website at www.charities.govt.nz during the past year. Visitors typically searched for information from the Register about charities, and accessed the Commission’s publications and guidance. In the twelve months to 30 September 2010, almost 200,000 visitors accessed pages on the website more than 1.97 million times, and there were more than half a million “views” of charities’ summary pages on the Charities Register, by almost 153,000 visitors.

During the year, the Commission re-designed its website to make it easier to navigate, and to accommodate its expanding range of information.

Members of the public are encouraged to search and use the Charities Register to find information about charities, and assurance that registered charities meet the criteria set out in the Charities Act.

Charities Register – information about charities and sector not previously available

Evidence of the scale and reach of the charitable sector – and of charities’ efforts in attracting funds, spending, and engaging staff and volunteers to carry out charitable work – is now available from the registration and Annual Return information provided by the 25,000 charities on the Charities Register.

From the information on the Register, we know that between them, charities employ over 150,000 people, and have the voluntary, unpaid support of almost 400,000 more. The public also acknowledge the important work of charities – in part, by the financial support they provide – with more than \$694 million in donations during the last financial year.

However, although there are a small number of large charities that employ a significant number of staff, there are also many much smaller charities, who have no paid staff, and very small budgets with which to achieve their purposes.

The Commission has contributed information about the charitable sector from the Register to other government agencies, to assist with the development of – for example – financial reporting standards; and has provided information to assist a broad range of other organisations working with the sector.

From our engagement with members of the public, academics, researchers, funders, service-providers to the sector, and news media, we also know that the Register has become a rich (and growing) source of up-to-date information about charities and the broader sector.

Sector Income	<i>Figures drawn from 12,546 Annual Returns, filed by registered charities, for financial years falling between 1 April 2008 and 31 March 2009</i>	<i>Figures drawn from 16,478 Annual Returns, filed by registered charities, for financial years falling between 1 April 2009 and 31 March 2010</i>
	Total \$	Total \$
Government grants	1.87 billion	3.58 billion
Donations	0.64 billion	0.69 billion
Income from service provision	2.15 billion	4.08 billion
* Total gross income	6.26 billion	10.52 billion

* Note: this figure includes other income, such as investment income

Income (all sources)	<i>Number of charities drawn from 12,546 Annual Returns, filed by registered charities, for financial years falling between 1 April 2008 and 31 March 2009</i>	<i>Number of charities drawn from 16,478 Annual Returns, filed by registered charities, for financial years falling between 1 April 2009 and 31 March 2010</i>
< \$20,000	5,173	6,569
\$20,000 - \$100,000	3,551	4,710
\$100,000 - \$1,000,000	3,043	4,047
\$1,000,000 - \$20,000,000	741	1,102
> \$20,000,000	38	50

New Zealanders' ongoing willingness to be involved

We estimate that we will continue to receive applications from around 2,500 potentially charitable entities every year – from trusts created by people's wills, and by people wanting to set up and run charitable enterprises to meet a need they feel compelled to help.

Now the initial registration period has passed, during which the Commission received and processed more than 30,000 applications over an 18 month period, we are now generally processing straightforward applications within 30 working days, and often, much more quickly. This enables successfully-

registered new charities to access registration benefits – such as tax advantages, and in some cases, eligibility for funding – with greater efficiency and certainty.

Commission's regulatory role – enabling trust and confidence

It is a core part of the Commission's role to register all applications that meet the requirements of the Charities Act – having a charitable purpose as the law defines it, no purpose of making a private financial profit, and officers who are qualified.

However, in carrying out the requirements of the Charities Act, the Commission

must also decline to register any applications that do not meet all of the Act's requirements, and remove any registered charities that no longer qualify for registration.

The Commission views this as being in the interests of consistency, and essential to maintaining the integrity of the Charities Register.

This aspect of our work is especially important, because it enables the public to feel confident that if a charity is on the Register, it has met the criteria for being "charitable" and remains qualified, and that the Commission will, if necessary, scrutinise its people and operations.

Appeals

The Charities Commission has been party to a number of appeals against its decisions to decline to register or to deregister organisations.

To date, in each of the six appeals that have been heard by the courts, the Commission's decision has been upheld. Each case has dealt with different issues relating to eligibility for registration under the Charities Act.

Each judgment has also provided the Commission – and organisations seeking to obtain or retain registered charitable status – with valuable judicial guidance, that can be applied to the Commission's future decisions, and contribute to an increased understanding of what is meant – in law – by “charitable”.

The Commission has published the courts' judgments on its website, so they are available to the public.

- Travis Trust v Charities Commission HC WN CIV 2008-485-1689 [3 December 2008]
- Canterbury Development Corporation v Charities Commission HC WN CIV 2009-485-2133 [18 March 2010]
- Canterbury Development Corporation Trust v Charities Commission HC WN CIV 2009-485-2135 [18 March 2010]
- Canterbury Economic Development Fund v Charities Commission HC WN CIV 2009-485-2136 [18 March 2010]
- Re Education New Zealand Trust, HC WN CIV 2009-485-2301 [29 June 2010]
- Re The Grand Lodge of Antient Free and Accepted Masons of NZ, HC WN CIV 2009-485-2633 [23 September 2010]

is now 400 years old, times – and courts' acceptance of what is and is not “charitable” – have changed considerably since the earliest codification of “charitable purposes”.

Because it is a core part of our work, the Commission has developed a considerable wealth of knowledge of the Charities Act, and of related case law. We have developed a large body of “plain language” guidance setting out the meaning of the law, to assist applicants and others wishing to understand more about “charitable purpose”.

As well, we have also published a large number of our decisions, setting out our reasoning in plain language.

Monitoring and investigation of charities

In the past year, the Commission has changed the focus of its interactions with charities, to providing greater support and assistance to those who are registered, and, through the exercise of its monitoring and investigation functions, and ensuring that those who are registered remain wholly and exclusively charitable.

At the time of registration, the Commission looks closely at an applicant's rules as part of its analysis of its qualification to be registered. The Charities Act requires an applicant to provide certain documentation when it applies to register – an application form, a copy of its rules, and to certify its officers. If there is any lack of clarity or certainty about the applicant's rules, we contact them for further information.

However, once registered, we continue to collect information from charities – as part of their Annual Returns and notices of change, and – often – from members of the charity itself, from members of the public, and from news media. Sometimes,

Declined applications

The Commission has declined to register a number of applications made to it for registration since the Register opened on 1 February 2007. Between that date and 30 September 2010 we have declined 1,430 applications.

Many of these, 1,336, were applications that lacked sufficient detail or clarity to fulfil the charitable purpose test, where the applicant did not respond to the Commission's request for further information or explanation.

However, the Commission has also declined to register some entities because their rules and/or consequent activities did not meet the legal requirements to

qualify them as “charitable” under the Charities Act.

As our guidance materials make clear, we are not empowered to simply “rubber stamp” applications made to us, even when considering applications from organisations that may have considered themselves to be “charitable” for many years.

There is considerable case law setting out what the courts do (and do not) consider falls within the four “heads” of charity – advancing education or religion, relieving poverty, or providing a benefit to the community.

Although the first legal description of what was considered “charitable”

the additional information which was not available to us at the time of registration raises questions that mean we must re-examine the charity's eligibility to remain registered.

The charity's purposes or activities may not have changed during their registration period, but, having fuller (and/or more accurate) information about them and their activities may lead us to conclude that they are not – after all – wholly and exclusively charitable, as their application information first led us to believe.

In a small number of cases (20, between August 2009 and the end of September 2010), this has meant that we have deregistered some charities that had earlier appeared to be qualified for registration. In each case, we have published a note on the deregistered charity's page on the public Charities Register. We have also published our written decisions, explaining the additional information we considered, and our reasoning.

In the same way that we consider each registration decision – on a case by case basis – we consider each deregistration decision on a case by case basis, having regard to the Charities Act, the additional information that has become available to us, the charity's rules and activities, and the relevant case law.

The deregistration of some previously registered charities may seem contradictory to some, but it is one outcome of the much greater ongoing scrutiny to which charities are now being subjected – both by the Commission, as a regulator, and by the public, who can now see information about charities that may not previously have been available to them.

Monitoring and Investigation

The Commission monitors and investigates charities, to ensure they continue to qualify for registration, and do not compromise public trust and confidence in charities.

Monitoring reviews

We monitor charities randomly and based on risk factors – such as, for example, having only one trustee. The review ensures that the information published on the Charities Register about the charity is up-to-date, and gathers other information about the charity and its operations, to be certain that the organisation still meets all registration requirements in terms of charitable purpose, private profit restrictions, and activities that support the charity's charitable purpose.

Investigations

These can arise in two ways:

- the Commission itself may raise an issue (perhaps at the time of registration or when an Annual Return is scrutinised), or as the result of a monitoring review

- we may become aware of a report in the media, or receive a complaint, or a person or another agency might notify us of concerns they have in relation to a registered charity

For all investigations, we carry out a thorough investigation, and gather all the information we need to draw preliminary conclusions and make a decision about whether further action is warranted.

If an investigation finds evidence of a breach of the Charities Act, the Commission has powers to publish warnings, deregister charities, and make orders barring charities and officers from the Register for a period of years.

Between 1 November 2009 and 30 June 2010, the Commission carried out 386 monitoring reviews, and 138 investigations of charities were opened, of which 88 were completed.

Serious wrongdoing

In two cases, the Commission assessed information that became available to it post-registration, and found there had been serious wrongdoing. This resulted in the charities being removed from the Register, and disqualification orders being made against both the entities and their officers.

Deregistered for serious wrongdoing

– 27 July 2010

The Hope for Children Charitable

Foundation Board - CC34059

Disabled Children's Trust - CC32247

The Commission has also taken decisive action where registered charities fail to file their Annual Returns, as required by the Charities Act. We provide charities with guidance and education about their filing obligations, a reminder to file, and an overdue notice soon after the due date of their Annual Return. If we do not receive the Annual Return soon after the due date, we take steps to deregister the charity, and then advise Inland Revenue.

We view the filing of Annual Returns as a core obligation under the Act. Annual Returns provide some of the transparency required by the public of the charitable sector, whose trust and confidence – and donations – are its mainstay.

There were 759 charities deregistered by the Commission for failing to file Annual Returns, between 1 July 2009

and 30 September 2010. Charities that are deregistered for failing to file their Annual Returns may re-apply, but for the time they are deregistered, they may not access any of the benefits of being registered with the Commission, such as having their information on the Register, and charitable income tax exemption. A note explaining why they have been deregistered is posted on the charity's summary page on the Register.

Support and guidance for charities

The Commission has continued to work closely with charities to provide support and education on good governance and management. We believe that this work – together with our focus on investigations and monitoring – will assist the sector, and contribute to enhanced public confidence.

The forum series – which was well-received by the sector – is one way in which we have sought to provide information and resources, as well as networking opportunities, to charities. We are conscious that there is already a considerable amount of resources and information available to the sector, and do not wish to duplicate others' efforts, but, rather, to enable charities to make the best use of what is already accessible to them, and identify any possible gaps.

Forums – networking and support for charities

During the past year, the Commission hosted a series of 16 forums across the country. Building on feedback from earlier events, they provided opportunities for charities to learn about promoting their cause, ask questions, and network with other charities.

At each forum, the Commission, Office of the Community and Voluntary Sector, Inland Revenue and Internal Affairs were on hand to answer questions from those attending. The Minister for the Community and Voluntary Sector, the Hon. Tariana Turia spoke at one forum, and recorded a message for those she was unable to attend in person.

Presentations covered the use of the Charities Register, the Commission's monitoring and investigations functions (and their role in maintaining public trust and confidence in the sector), the benefits of non-financial reporting, and payroll giving.

The information received from forum attendees is being used to develop capability-building plans for charities in each region. These plans will be developed by the appropriate regional agencies, with support from the Commission.

A number of participants took the time to provide feedback about how they found the forums. Here's what some of them said:

- “The accountability now required by the Commission is a welcome development as it gives credibility to the giving process.”
 - “Thank you for the opportunity to take part in your very informative Forum. I was not expecting to receive much value from the Forum but came away enthused about how to remain in contact with the Commission and how we may be able to obtain assistance from time to time.”
 - “It was good to meet the people who are the Charities Commission, who were all very good in their presentations and increasing our understanding of how the Commission works.”
 - “I think the Charities Commission is performing a useful role in its registration, monitoring and educational sections. Charities need to be accountable and professional and make the most of the limited resources.”
 - “I liked meeting people who are involved in charities from far flung parts of Northland.”
 - “Ability to meet with other representatives from charitable bodies and exchange ideas.”
- “Being able to contact other charities by going to the Register is certainly very helpful.”

Regulation and support for charities

The charitable sector is fortunate to be served by the skills and commitment of many people who genuinely want to help others, or a cause they wish to promote, or fulfil a need.

The Commission's Board, management and staff are equally committed to regulating and supporting charities, extending education, help and guidance where it is appropriate, and acting firmly and decisively where necessary. Coupled with that, we will continue our efforts to assist charities to achieve their goals, by providing them with access to tools and support that will help them to manage themselves effectively and transparently, and make the best use of their resources and skills.

We hope that, through our ongoing work, the public will continue to increase their participation in the charitable sector, making well-informed decisions about charities, and maintaining a high level of trust and confidence in the charities they wish to support.

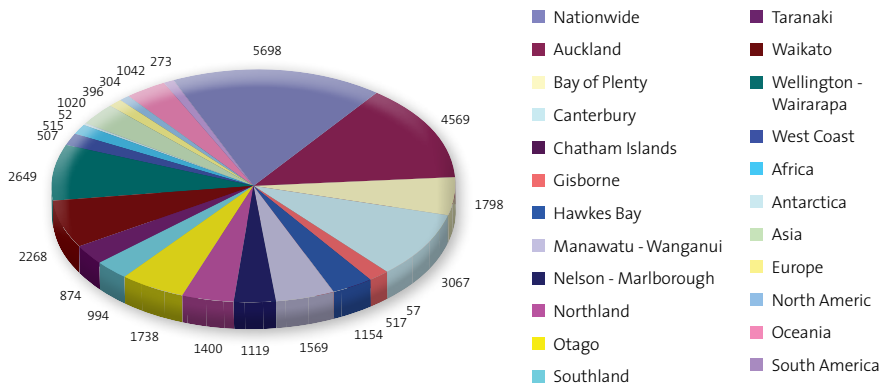


Trevor Garrett

Chief Executive

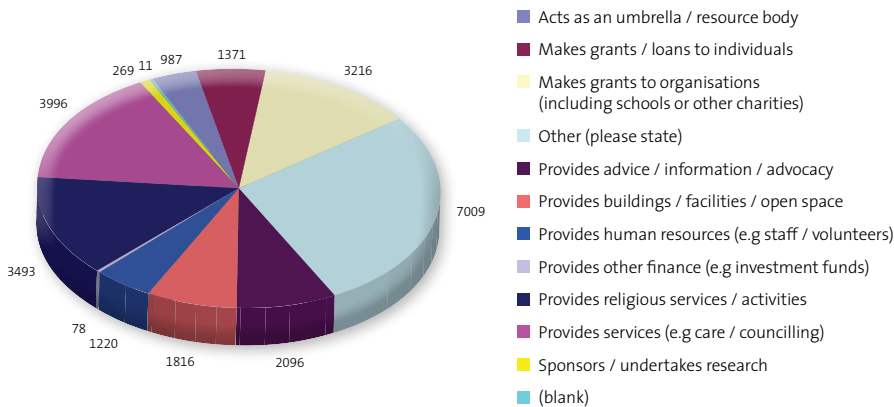
Where are charities operating?

As at 21 October 2010



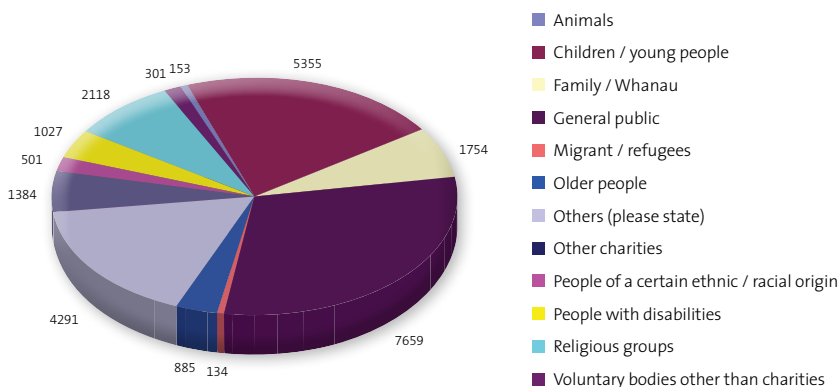
What activities are charities involved in?

As at 21 October 2010



Who are charities helping?

As at 21 October 2010



Public trust and confidence in charities measured

Most members of the public have maintained high levels of trust and confidence in charities, and levels of giving have remained steady during the past 18 months.

The Commission undertook a survey of 2,000 people, a follow-up to an earlier study, as part of its role in promoting research into public confidence in the sector and matters relating to charities.

A majority of respondents, (55%), reported high levels of trust and confidence in charities, but this figure had slipped slightly from 58% in 2008. There was evidence that the public are now viewing charities more critically.

However, the number of people reporting they donated more than \$250 in the past 12 months increased from 25% to 31%.

The survey showed a significant increase in awareness of the Charities Commission (up from 57% in November 2008, to 67%), and that almost a third of those respondents had referred to the public Charities Register to find out information about a charity.

The vast majority of people – 84% – said they were more likely to trust charities that are registered with the Commission, and that are transparent about how they use their money.

Charities Commission Governance

The Charities Commission Board

Under the *Crown Entities Act 2004*, the Board is the governing body of the Charities Commission.

All decisions relating to the Charities Commission's operations must be made by, or under the authority of the Board, in accordance with the Crown Entities Act and the *Charities Act 2005*.

The Board is appointed by the Minister for the Community and Voluntary Sector and consists of between five and seven members. Requirements for Board membership include the commitment to work for the greater good of the Charities Commission and knowledge, skill, experience and expertise relevant to the Commission's affairs to assist the Commission to achieve its objectives and perform its functions.

The Board reports to the Minister quarterly against its *Output Agreement*.

Board's role and responsibilities

The Board's role is to:

- oversee the governance and performance of the Commission
- set the strategic direction and work priorities for the Commission and to monitor these
- select and appoint the Chief Executive and monitor the Chief Executive's performance
- approve the annual work programme and budget of the Commission
- approve the key accountability documents for the Commission, such as the *Annual Report*, *Statement of Intent* and the *Output Agreement*
- attend the Commission's Annual Meeting and report on the work of the Commission
- establish and monitor the Board's own governance policies.

Board members

The Charities Commission Board members are profiled on the following page.

The Chair

The Board Chair is responsible for:

- leading, chairing, and managing the Board
- providing leadership and guidance for Board members
- working with and providing guidance to the Chief Executive
- liaising with the Commission's responsible Minister as the most senior Board member.

Members

The current Board's skills include experience working in the charitable sector, both nationally and internationally, governance, senior management, law, accounting, iwi development, public and private sector management, the arts and church activities and operational and governance experience in the education and sports sectors.

Board members are responsible for:

- providing expertise, advice and input into issues and work the Commission is undertaking
- engaging with the Commission's stakeholders at national, regional and local levels.

The *Crown Entities Act 2004* sets out the collective and individual duties of Board members.

Induction

On appointment, all Board members receive appropriate induction and guidance as to their role as Board members of the Charities Commission, from both the Commission and the Department of Internal Affairs.

Induction includes information on the affairs of the Commission, its issues, staff, financial position and the relevant legislation. Board members are also given

the opportunity to discuss operational and administrative matters with the Chair and the Chief Executive.

Integrity and Conduct

Code of Conduct

The Board is committed to ethical conduct in all areas of its responsibilities and authority. It has adopted a Code of Conduct that is in accordance with the *Crown Entities Act 2004*.

Ethical conduct includes acting with honesty and integrity at all times in the interest of the Commission and its stakeholders, ensuring that the public, all stakeholders, and particularly those who are recipients of services, are treated fairly, according to their rights.

Disclosure of Interests

The Board places great importance on making clear any existing or potential interests of its members. All interests must be declared by the Board member concerned to the Chair and are documented in the Board's Register of Interests.

The Board has identified nine classes of interest that classify the nature of interests that a Board member could have, such as interests in charitable entities or as a provider of professional services.

Where a conflict of interest is identified, the Board member concerned is not permitted to participate in any Board or committee discussion or decision on that matter, or matters felt by the Board to be closely related, except if permitted otherwise under section 68 of the Crown Entities Act.

Board meetings and Committees

The Board meets monthly and at other times as required. During 2009-10, Board meetings have generally been of two days length, due to the volume of work before the Charities Commission.

The Board has established Standing Committees to help it more efficiently undertake its work.

Human Resources Committee

Members of this Committee were Sid Ashton (Chair), Ian Calder until the end of his term in August 2010, and Judith Timpany until the end of her term in August 2010. This Committee oversees the selection and performance management of the Chief Executive.

Information and Education Committee

Members of this Committee were Judith Timpany (Chair) until the end of her term in August 2010, Patricia McKelvey and Tania Kingi. This Committee provides oversight, guidance and support to enable the Commission to fulfil its obligations under section 10 of the *Charities Act 2005*, to meet the Charities Commission's aims and objectives.

Risk, Audit and Compliance Committee

Members of this Committee were Frank Claridge (Chair), Sid Ashton, Tania Kingi, and Ian Calder until the end of his term in August 2010. This Committee assists the Board in discharging its responsibilities relative to financial reporting, risk management and legislative compliance by the Charities Commission.

Registration and Monitoring Committee

Members of this Committee were Kerry Ayers (Chair), Sid Ashton (Deputy Chair), Frank Claridge, Tania Kingi, Patricia McKelvey, Ian Calder until the end of his term in August 2010, and Judith Timpany until the end of her term in August 2010. This Committee provides guidance and support in the fulfilment of the Commission's statutory obligations under the Charities Act to register and deregister charities.

Statement of Intent Committee

Members of this Committee were Sid Ashton (Chair), Frank Claridge, and Judith Timpany until the end of her term in August 2010. This Committee provides oversight, guidance and support in the fulfilment of the Commission's statutory obligations regarding the preparation of the annual *Statement of Intent* and in the development of the annual *Output Agreement*.

Board members



Sid Ashton – Chair

Sid Ashton, an Officer of the New Zealand Order of Merit for services to Māori and the Community, has been a Christchurch chartered accountant in public practice for over 30 years. A former Chief Executive of Te Runanga O Ngai Tahu, he is a Fellow of the New Zealand Institute of Chartered Accountants and a member of the Institute of Directors. Sid chaired the Tax and Charities Working Party in 2001-2002.

Sid is currently serving as a trustee for the Diabetes Training and Research Trust, which is a charitable trust. He is also director of Ryman Healthcare, a publicly listed company, and other private companies.

Sid was appointed on 15 June 2005 and was re-appointed in July 2008 for a further term expiring on 6 July 2011.



Judith Timpany – Deputy Chair

Judith Timpany is the Chief Executive of the Whanganui Community Foundation Inc. and a Justice of the Peace. She has qualifications in both commerce and community development.

Judith has 20 years experience in the charitable sector in a range of community-focused activities, at local, national and international levels. She has also held several corporate directorships and worked in the academic sector.

Judith was appointed on 15 June 2005 and was re-appointed in August 2007 for a further term that expired on 25 August 2010.



Kerry Ayers – Board Member

Kerry Ayers is a practising lawyer who has written extensively on trusts and property-related issues, including four legal textbooks. His work has also included extensive seminar presentations including a national seminar series for the New Zealand Law Society and the New Zealand Institute of Chartered Accountants. He has been involved in extensive work on issues relating to charities law and the setting up and administration of charitable entities.

Kerry is also a member of the New Zealand Law Commission consultative committee on reform of the law of trusts. He is a former Vice President of the New Zealand Law Society and a former board member of the New Zealand Law Foundation.

Kerry was appointed on 13 June 2005 and was re-appointed in July 2008 for a further term expiring on 6 July 2011.



Ian Calder – Board Member

Ian Calder, an Officer of the New Zealand Order of Merit for services to children and the family, has considerable experience in and knowledge of the not-for-profit sector. Ian was the Chief Executive of Barnardos New Zealand from 1976-2003, the President of the New Zealand Federation of Voluntary Welfare Organisations, Treasurer of the International Forum for Child Welfare, and a member of various government advisory boards including the 1988-89 Working Party on the Taxation of Charities and Sporting Bodies. From 2003 to 2008 he was a member of the Social Workers' Registration Board.

Ian was appointed on 13 June 2005 and was re-appointed in August 2007 for a further term that expired on 25 August 2010.



Frank Claridge – Board Member

Frank Claridge is a chartered accountant who has been involved with not-for-profits and community organisations for more than 50 years. His involvement has ranged from short term consultancies, to various levels of part-time or full-time management and governance, much of it on a voluntary basis. Between 1962 and 2009 Frank was involved in national Boards and Committees of the Methodist Church of New Zealand.

For some 20 years prior to his retirement in 2004, Frank was the Chief Financial Officer for the Royal NZ Foundation of the Blind. Since retiring, Frank has been involved with a large number of organisations, carrying out organisational reviews, capacity building, and providing general supportive advice and recommendations.

He is currently a member of several Boards linked with not-for-profit, charitable and community activities. He was appointed to the Board of the Charities Commission in 2005 after serving on the Working Party for the Registration, Reporting and Monitoring of Charities in 2001-2002 and the Charities Commission Establishment Group in 2003-2004.

He holds a Bachelor of Commerce degree from Victoria University of Wellington, is a Fellow of the NZ Institute of Chartered Accountants, is a member of a number of other professional bodies and has been a Justice of the Peace since 1973.

Frank was appointed on 13 June 2005 and was re-appointed in August 2007 and again in August 2010 for a further term expiring on 14 August 2013.



Patricia McKelvey – Board Member

Patricia McKelvey, a Companion of the New Zealand Order of Merit for services to Education and an MBE for services to Women's cricket, has a wealth of operational and governance experience in the education and sport sectors.

She is currently Chair of the Board of Trustees of Te Aho o Te Kura Pounamu – The Correspondence School, and Electra Limited; a member of the Victoria University Council; and a Life Member of Barnardos New Zealand. Previous appointments include Principal of Wellington High School, Captain of the New Zealand Women's Cricket Team, Chair of the Board of Career Services and a variety of other tertiary education, social services, and sporting leadership roles.

Patricia was appointed on 7 July 2008 for a term expiring on 7 July 2011.



Tania Kingi – Board Member

Ms Kingi (DipBus (Maori Development), Ngati Awa, Ngai Tai, Te Arawa) is currently the Managing Director/Contractor of Kaiarahi Tapiri Ltd, a role she has held since 2003. The role includes Māori research, project management and evaluation, organisational and community development, and auditing systems and services among health and disability service providers. Currently Ms Kingi provides management services to Te Roopu Waiora Trust, a kaupapa Māori disability support service founded and governed by whanau with disabilities.

In 2008, she was appointed as a member to the Board of the New Zealand Blood Service.

Ms Kingi has participated in many committees to improve the provision of health and other services. She is the Chairperson of the National Steering Group of Māori Disability Support Services and is a provider Representative to Counties Manukau District Health Board. She is an elected representative, Arau Ora - Counties Manukau Māori Health and Disability Collective, representing 20 organisations. She is also involved in Manukau as Co-Chair and executive committee member of Te Ora o Manukau (Manukau the Healthy City Forum).

Tania was appointed on 1 July 2009 for a term expiring on 30 June 2012.



Judith Stanway – Board Member

Judith Stanway is the Chair of the national accounting firm BDO New Zealand Ltd, and a partner in the Rotorua office. She is currently a director of Scion (Forest Research Institute) and has previously chaired Lakeland Health Ltd and has been Deputy Chair of the New Zealand Māori Arts & Crafts Institute (Te Puia). She has been involved with many aspects of charities and not-for-profit organisations.

Judith is an accredited fellow of the Institute of Directors and a member of the Bay of Plenty committee.

Judith was appointed on 26 August 2010 for a term expiring on 25 August 2013.



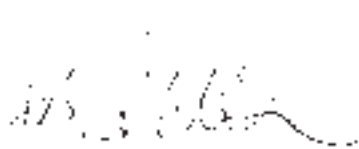
Kenneth Williams – Board Member

Ken Williams has been an Auckland chartered accountant in public practice for over 30 years. An honorary Fellow of Unitec Institute of Technology, a current member of Social Security Appeal Authority and a trustee of Life Education Trust City/West Auckland, Ken was treasurer for six years of National Pacific Radio Trust prior to his term expiring in June of this year.

Kenneth was appointed on 26 August 2010 for a term expiring on 25 August 2013.

The Minister for the Community and Voluntary Sector, Parliament Buildings, Wellington

Pursuant to the provisions of the *Crown Entities Act 2004*, the following report on the operations of the Charities Commission for the year ended 30 June 2010 is submitted for presentation to the House of Representatives.



Sid Ashton
Chair
29 October 2010

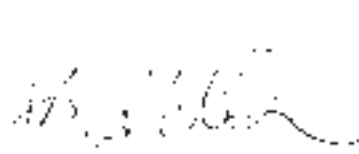


Patricia McKelvey
Board Member
29 October 2010

Statement of Responsibility

The Board is responsible for the preparation of the statement of service performance and annual financial statements and the judgements used therein, and for establishing and maintaining the system of internal control that provided reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, the statement of service performance and annual financial statements for the year ended 30 June 2010 fairly reflect the financial position and operations of the Charities Commission.



Sid Ashton
Chair
29 October 2010



Patricia McKelvey
Board Member
29 October 2010



Trevor Garrett
Chief Executive
29 October 2010

Audit Report

To the readers of the Charities Commission's Financial Statements and Statement of Service Performance for the year ended 30 June 2010

The Auditor General is the auditor of the Charities Commission (the Commission). The Auditor General has appointed me, Phil Kennerley, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Commission on pages 23 to 41:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Commission's financial position as at 30 June 2010; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 20 to 22:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 29 October 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Commission's Board and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Commission's Board and the Auditor

The Commission's Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the *Crown Entities Act 2004* and the *Charities Act 2005*.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the *Public Audit Act 2001* and the *Crown Entities Act 2004*.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Commission.



Phil Kennerley
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Charities Commission for the year ended 30 June 2010 included on the Charities Commission's website. The Charities Commission's board is responsible for the maintenance and integrity of the Charities Commission's website. We have not been engaged to report on the integrity of the Charities Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements as well as the related audit report dated 29th October 2010 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Service Performance

In 2009-10, the Charities Commission achieved the following outputs in accordance with performance standards set out in the Commission's 2009-2012 *Statement of Intent*.

The output class for the Commission is Charities Administration. This output class provides for the delivery of services that contribute to promoting public trust and confidence in charities. The services being delivered include:

- maintaining an accurate and up-to-date public Register of Charities
- provision of advice, education and information to charities
- provision of information about charities.

Output Summary	2009-10		2008-09
	Actual	Budget	Actual
	\$000	\$000	\$000
	GST exclusive	GST exclusive	GST exclusive
<i>Charities Administration:</i>			
Output revenue	5,605.5	5,580.7	6,197.7
Output expense	(5,288.1)	(5,569.3)	(5,914.6)
Net surplus	317.4	11.4	283.1

For the explanations of the significant variances against budget, refer to Note 21 of the Notes to the Financial Statements on page 41.

SEARCHING THE CHARITIES REGISTER – www.charities.govt.nz

Any member of the public can search the Charities Register to find a charity's details.

All registered charities have a unique registration number. Members of the public are entitled to ask fundraisers to quote this number to them, and can search for the charity's details using this number.

Another way to search the Charities Register for a charity's details is to look for a word (or string of letters) that are likely to be in its name.

For example, to look for charities that are likely to be involved in helping people with Alzheimers, type in "alzheim" (or even "alz") into the Search field.

To narrow the search to a particular area, add in a town/city or postcode, or use the drop-down "Area of operation" menu.

It is also possible to search the Charities Register for officers' names, and to look for charities by sector, activities, beneficiaries, or area of operation.

Output 1.1: Maintaining an accurate and up-to-date public Register of Charities

Performance information

	Performance Measures	Standard/Target	Achieved to 30 June
1.1.1	Percentage of properly completed applications for registration decided within 30 working days of receipt, is no less than	70% ¹	<i>Achieved. 96.38% of applications received from 1 Jul 2009 decided within 30 days [only applies to applications received from 1 Jul 2009 and decided by 30 Jun 2010].</i>
1.1.2	Number of Annual Returns received	Up to 25,000 per annum ²	<i>19,375 completed Annual Returns received from 1 Jul 2009 to 30 Jun 2010.</i>
1.1.3	Percentage of properly completed Annual Returns published within 10 working days of receipt, is no less than	90%	<i>Achieved. 92.32% published within 10 working days.</i>
1.1.4	Percentage of Register online availability per month, is no less than	97%	<i>Achieved. The Register was available online 99.5% of the time during the year.</i>
1.1.5	An annual independent quality audit on a sample of up to 1% of the recommendations for registration	Indicates no significant areas for improvement and shows only minor inconsistencies in decisions	<i>Achieved.</i>
1.1.6	Percentage of complaints about registered charities brought to the Commission's attention that warranted further action on which work is commenced within 25 working days, is no less than	90%	<i>Achieved. 100% of complaints received since 1 Jul 2009 had work commenced within 25 working days of receipt.</i>

¹ This target is based on the Commission's estimate that it will receive 2,000 new applications for registration each year.

² This performance target depends on the number of charities that were registered at 30 June 2009. This number was not known at the time that the 2009-12 Statement of Intent was published in May 2009. At 30 June 2009, 22,385 charities were registered.

Output 1.2 – Provision of advice, education and information to charities

Performance information

	Performance Measures	Standard/Target	Achieved to 30 June
<i>Information and support</i>			
1.2.1	Percentage of sample of callers whose queries have been met by the free phone advisory service (at the time of the call)	90%	<i>Achieved. For the year to 30 Jun 2010, call quality averaged 94.7% on a total of 27,237 inbound calls answered.</i>
1.2.2	Percentage of stakeholder feedback indicating the appropriateness of the information on registration, Annual Returns and governance and management on the Commission's website as either "excellent or good" ³	90%	<i>Achieved. 95.6% of those surveyed rated the information on the Commission's website as "excellent or good".</i>
<i>Information dissemination</i>			
1.2.3	Percentage of readership survey indicating the appropriateness of <i>Update</i> newsletter as either "excellent or good" ³	90%	<i>Achieved. 90.8% of those surveyed rated the appropriateness of Update newsletter as "excellent or good".</i>
1.2.4	Percentage of stakeholder feedback indicating the appropriateness of the information sheets as either "excellent or good" ³	90%	<i>Achieved. 95.6% of those surveyed rated the appropriateness of the information sheets as "excellent or good".</i>

Output 1.3 – Provision of information about charities

Performance information

	Performance Measures	Standard/Target	Achieved to 30 June
1.3.1	Information supplied to the Inland Revenue Department is in accordance with the terms of the Memorandum of Understanding	100% of the time	Achieved.

³ Online surveys of registered charities were conducted in March 2010 to address the appropriateness of:

- the information on registration, Annual Returns and governance and management on the Commission's website
- the Update newsletter
- the information sheets.

Financial Statements

Statement of Comprehensive Income For the year ended 30 June 2010

	Notes	Actual 2010 \$	Budget 2010 \$	Actual 2009 \$
REVENUE				
Crown funding		4,844,000	4,844,000	5,932,000
Annual Return fees		713,375	666,667	165,237
Interest		47,262	70,000	99,877
Other revenue		903	-	562
TOTAL OPERATING REVENUE		5,605,540	5,580,667	6,197,676
Crown funding – litigation		42,398	-	-
Interest – litigation fund	8(1)	7,883	7,800	13,414
TOTAL REVENUE		5,655,821	5,588,467	6,211,090
EXPENSES				
Administration		914,575	904,427	820,231
Audit fees		36,060	36,050	35,000
Board members' fees	2	116,174	111,390	87,466
Communication and education		139,569	185,000	73,736
Depreciation and amortisation expenses	3	366,679	395,978	328,259
Occupancy costs	4	177,547	165,352	181,568
Personnel costs	5	2,086,909	2,030,263	1,698,843
Professional fees		217,008	120,000	69,304
Registration – related costs	6	1,233,311	1,620,819	2,620,177
Litigation expenses		76,901	-	21,304
Bad debts		311	-	-
TOTAL EXPENSES		5,365,044	5,569,279	5,935,888
NET SURPLUS		290,777	19,188	275,202
Comprising:				
Operating surplus		317,397	11,388	283,092
Litigation fund	8(1)	(26,620)	7,800	(7,890)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		290,777	19,188	275,202

The accompanying notes form part of these financial statements.

Statement of Movements in Taxpayers' Funds

For the year ended 30 June 2010

	Notes	Actual 2010 \$	Budget 2010 \$	Actual 2009 \$
Taxpayers' funds at beginning of year		1,872,736	1,777,735	1,597,534
Net surplus for year		290,777	19,188	275,202
Taxpayers' funds at end of the year		2,163,513	1,796,923	1,872,736
Comprising:				
Accumulated funds	8(2)	1,941,513	1,538,288	1,624,116
Litigation fund	8(1)	222,000	258,635	248,620
		2,163,513	1,796,923	1,872,736

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2010

	Notes	Actual 2010 \$	Budget 2010 \$	Actual 2009 \$
TAXPAYERS' FUNDS				
Accumulated funds	8(2)	1,941,513	1,538,288	1,624,116
Litigation fund	8(1)	222,000	258,635	248,620
Taxpayers' funds		2,163,513	1,796,923	1,872,736
Represented by:				
CURRENT ASSETS				
Cash and cash equivalents	9(1)	1,725,446	1,351,031	1,058,716
Cash and cash equivalents – litigation fund	9(2)	213,365	258,635	248,999
Debtors and other receivables	10	123,323	25,000	52,533
Good and Services Tax receivable		32,583	21,600	32,546
Total current assets		2,094,717	1,656,266	1,392,794
NON-CURRENT ASSETS				
Property, plant and equipment	11	227,936	255,161	289,494
Intangible assets	12	485,056	535,496	664,606
Total non-current assets		712,992	790,657	954,100
Total assets		2,807,709	2,446,923	2,346,894
CURRENT LIABILITIES				
Employee entitlements	13	248,892	150,000	202,379
Creditors and other payables	14	395,304	500,000	271,779
Total current liabilities		644,196	650,000	474,158
TOTAL LIABILITIES		644,196	650,000	474,158
NET ASSETS		2,163,513	1,796,923	1,872,736

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2010

	Notes	Actual 2010 \$	Budget 2010 \$	Actual 2009 \$
CASH FLOWS – OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Crown funding		4,844,000	4,844,000	5,932,000
Annual Return fees		701,866	666,667	115,537
Other revenue		606	-	562
Interest received		42,319	70,000	99,762
Interest – litigation fund	8(1)	7,883	7,800	13,414
Net GST received/(paid)		930	10,922	51,995
<i>Cash was disbursed to:</i>				
Payments to suppliers		(1,922,807)	(2,097,429) ⁴	(2,368,496)
Payments to employees		(2,952,658)	(3,075,872) ⁴	(3,541,015)
Net cash inflows from operating activities	15	722,139	426,088	303,759
CASH FLOWS – INVESTING ACTIVITIES				
<i>Cash was disbursed to:</i>				
Purchase of property, plant and equipment		(14,952)	(50,000)	(32,082)
Intangible assets		(76,091)	(185,000)	(88,882)
Net cash outflows from investing activities		(91,043)	(235,000)	(120,964)
Net increase in cash held		631,096	191,088	182,795
Add opening cash and cash equivalents		1,307,715	1,418,578	1,124,920
Closing cash and cash equivalents carried forward		1,938,811	1,609,666	1,307,715
Closing cash and cash equivalents carried forward was represented by:				
Cash and cash equivalents	9(1)	1,725,446	1,351,031	1,058,716
Cash and cash equivalents – litigation fund	9(2)	213,365	258,635	248,999
Closing cash and cash equivalents		1,938,811	1,609,666	1,307,715

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

⁴ The budget figures have been re-stated and differ from those published in the Commission's 2009-12 Statement of Intent. Registration-related personnel costs (salaries, movement in annual leave provision, recruitment and other personnel costs) of \$1,085,609 have been transferred from "payments to suppliers" to "payments to employees" to reflect the correct position.

Statement of Commitments

As at 30 June 2010

Operating Commitments	Actual 2010	Actual 2009
Operating Lease Commitments	\$	\$
Less than one year	118,942	483,435
One to two years	777	118,942
Two to five years	-	777
More than five years	-	-
Total Commitments	119,719	603,154

The Charities Commission leases premises in Wellington. The leases expire in December 2010. The Charities Commission has two rights of renewal each of three years after that date. The Charities Commission also has leases on various items of office equipment. The amounts disclosed above as future commitments are based on current rental rates.

There are no other operating leases.

Capital Commitments	Actual 2010	Actual 2009
	\$	\$
Estimated capital expenditure contracted for at balance date but not provided for	57,570	-

Statement of Contingencies

As at 30 June 2010

Contingent Liabilities

There are no contingent liabilities as at 30 June 2010 (2009: nil).

Contingent Assets

There are no contingent assets as at 30 June 2010 (2009: nil).

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Charities Commission is a Crown entity established under the *Charities Act 2005* and is an autonomous Crown entity as defined by the *Crown Entities Act 2004*. The Charities Commission is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The primary objectives of the Charities Commission are to maintain the public Charities Register, to promote public trust and confidence in the charitable sector, and to encourage and promote the effective use of charitable resources, as opposed to that of making a financial return.

Accordingly, the Commission has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Charities Commission are for the year ended 30 June 2010. The financial statements were authorised to be issued by the Board on 29 October 2010.

Basis of Preparation

Statement of Compliance

The financial statements are prepared in accordance with the *Crown Entities Act 2004*, and New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, and are presented in New Zealand dollars.

Standards and interpretations issued that are effective in the current period

The Commission has adopted the following revision to accounting standards during the year, which has had only a presentational or disclosure effect:

- *NZ IAS 1: Presentation of Financial Statements (revised 2007)* replaces *NZ IAS 1 Presentation of Financial Statements (issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Commission has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

The Commission has elected not to early adopt the following NZ IFRSs and Interpretations that had been issued by the New Zealand Accounting Standards Review Board as at 30 June 2010 but are not yet effective:

- *NZ IFRS 9: Financial Instruments (revised)* approved by the Accounting Standards Review Board in November 2009. *NZ IFRS 9: Financial Instruments* will eventually replace *NZ IAS 39: Financial Instruments: Recognition and Measurement*. *NZ IAS 39* is being replaced through the following three main phases – Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new standard *NZ IFRS 9*. *NZ IFRS 9* uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in *NZ IAS 39*. The approach in *NZ IFRS 9* is based on how an entity manages its financial instruments (its business model) and the contractual

cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in *NZ IAS 39*. The new standard becomes effective for periods beginning on or after 1 January 2013. The Commission has not yet assessed the effect of the new standard and expects it will not be early adopted; and

- *NZ IAS 24: Related Party Disclosures (revised 2009)* replaces *NZ IAS 24: Related Party Disclosures (issued 2004)* and becomes effective for periods beginning on or after 1 January 2011. The revised standard:
 - (i) Removes the previous disclosure concessions applied by the Commission for arms-length transactions between the Commission and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Commission and entities controlled or significantly influenced by the Crown.
 - (ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister for the Community and Voluntary Sector, the Commission will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
 - (iii) Clarifies that related party transactions include commitments with related parties.

The Commission expects it will early adopt the revised standard for the year ending 30 June 2011.

Significant Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied.

Budget figures

The budget figures are derived from the *Statement of Intent* as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Commission for the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Crown funding

The Charities Commission is primarily funded through funding received from the Crown, which is restricted in its use for the purpose of meeting the Charities Commission's objectives as specified in the *Statement of Intent*. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Annual Return fees

The Charities Commission derives revenue through Annual Return fees received from registered charities. Such revenue is recognised in the financial period when the Annual Return is filed.

Interest

The Charities Commission also derives revenue through interest on its bank deposits. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Goods and Services Tax

All items in these financial statements are presented exclusive of GST except for receivables and payables, which are presented inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is disclosed separately in the *Statement of Financial Position*.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the *Statement of Cash Flows*.

Commitments and contingencies are disclosed exclusive of GST.

Property, plant and equipment

Property, plant and equipment consist mainly of operational assets. These include leasehold improvements, computer hardware, furniture and fittings, and office equipment.

Property, plant and equipment are shown at the initial cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the *Statement of Comprehensive Income*.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the *Statement of Comprehensive Income* as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the

assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Computer equipment – 4 years (25%)

Furniture and fittings – 10 years (10%)

Office equipment – 10 years (10%)

Leasehold improvements – 12 years (8.3%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The Commission does not capitalise any costs incurred in the development of software for internal use.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the *Statement of Comprehensive Income*.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software – 4 years (25%)

Register software – 4 years (25%)

Notes to the Financial Statements (continued)

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Charities Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

For assets not carried at a revalued amount, the total impairment loss is recognised in the *Statement of Comprehensive Income*.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the *Statement of Comprehensive Income*.

Commitments

Future payments and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Contingent assets and contingent liabilities

Contingent liabilities and contingent assets are recorded in the *Statement of Contingencies* at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Leases

Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Charities Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the *Statement of Comprehensive Income*. The Charities Commission leases office premises, printers, photocopiers and two car parks. As the lessor retains all the risks and the ownerships of these leases, they are classified as operating leases.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with domestic banks and other short-term deposits with banks with maturities of less than 3 months.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost, less any provision for impairment.

Bad debts and doubtful debts provisioning

Collectibility of the Annual Return receivables is reviewed on an ongoing basis. The Commission has been contacting charities that are overdue for payment of their Annual Return fees. Debts of deregistered charities, which are known to be uncollectible, are written off. The Commission is able to deregister charities for persistent non-payment of Annual Return fees and has, therefore, not made a provision for doubtful debts.

Income tax

The Charities Commission is, as a public authority, exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Charities Commission expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not taken at balance date and sick leave. The Charities Commission does not provide long service leave or retirement leave.

The Charities Commission recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Charities Commission anticipates it will be used by staff to cover those future absences.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme and Kiwisaver are accounted for as defined contribution schemes and are recognised as an expense in the *Statement of Comprehensive Income*.

Litigation fund

The litigation fund was established to provide funds for major litigation activities. Interest income is reported as income of the Charities Commission in the financial period in which it is derived and is added to the fund. Actual direct operating costs of litigation fund cases will be charged against the fund. Reimbursements from the Crown to top up the fund will be shown as income in the period in which the Charities Commission's claim for reimbursement is accepted by the Crown. The balance of the fund is disclosed as a component of taxpayers' funds in the *Statement of Financial Position*.

Taxpayers' funds

This is the Crown's net investment in the Charities Commission.

Critical accounting estimates and assumptions

In preparing these financial statements the Charities Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment useful lives and residual value

At each balance date, the Commission reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Commission to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciation expense recognised in the *Statement of Comprehensive Income*, and carrying amount of the asset in the *Statement of Financial Position*. The Commission minimises the risk of the estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Commission has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 11.

Intangible assets useful lives

At each balance date, the Commission reviews the useful lives of its intangible assets. Assessing the appropriateness of useful life estimates of intangible assets requires the Commission to consider the expected period of use of the asset by the Commission.

An incorrect estimate of the useful life or residual value may impact on the amortisation expense recognised in the *Statement of Comprehensive Income*, and carrying amount of the asset in the *Statement of Financial Position*.

The Commission has not made significant changes to past assumptions concerning useful lives of its intangible assets. The carrying amounts of intangible assets are disclosed in note 12.

Critical judgements in applying the Commission's accounting policies

The Commission has exercised the following critical judgements in applying the Commission's accounting policies for the period ended 30 June 2010.

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of the ownership to the Commission.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the *Statement of Financial Position* as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Commission has exercised its judgement on the appropriate classification of equipment leases and, has determined a number of lease arrangements are operating leases.

Notes to the Financial Statements (continued)

2. BOARD MEMBERS' FEES

Members are remunerated on the basis of time spent on the work of the Commission.

Members' fees for the year ended 30 June 2010 were:

		Actual 2010 \$	Actual 2009 \$
S. B. Ashton	Chair	42,136	37,161
J. R. Timpany	Deputy Chair	16,584	11,650
FW.G. Claridge		13,779	10,646
I.J. Calder		11,163	11,328
K.R. Ayers		12,058	9,056
P. McKelvey		11,820	7,625
T. Kingi (appointed 1 July 2009)		8,634	-
		116,174	87,466

3. DEPRECIATION AND AMORTISATION EXPENSES

	Actual 2010 \$	Actual 2009 \$
Leasehold improvements	10,717	10,717
Computer equipment	48,128	56,599
Furniture and fittings	12,488	9,893
Office equipment	5,177	5,177
Total Depreciation	76,510	82,386
Computer software	7,071	14,142
Registration software	283,098	231,731
Total amortisation	290,169	245,873
	366,679	328,259

4. OCCUPANCY COSTS

	Actual 2010 \$	Actual 2009 \$
Occupancy costs include:		
Rent	141,428	151,374
Cleaning	18,578	15,414
Power and heating	10,382	11,437
Other utilities	7,159	3,343
	177,547	181,568

5. PERSONNEL COSTS

	Actual 2010 \$	Actual 2009 \$
Personnel costs include:		
Salaries (non-registration assessment)	1,903,329	1,519,110
Employer subsidies and withholding tax	40,806	55,630
Recruitment	23,215	40,191
Movement in annual leave provisions	28,068	33,617
Other personnel costs	91,491	50,295
	2,086,909	1,698,843

6. REGISTRATION-RELATED COSTS

	Actual 2010 \$	Actual 2009 \$
Registration-related costs include:		
Application pre-processing	175,322	383,137
Registration assessment		
• salaries	892,451	1,881,497
• movement in annual leave provision	(2,191)	(15,590)
• recruitment	819	20,160
• other personnel costs	22,543	3,157
• rent	83,482	144,571
• cleaning	9,123	16,437
• power and heating	8,513	8,479
• professional fees	8,737	5,667
• administration	34,512	172,662
	1,233,311	2,620,177

In 2009-10, registration assessment costs decreased due to fewer registration staff required following the completion of the assessment of the initial applications for registration and the establishment of the new organisation structure in early 2009.

7. EMPLOYEE REMUNERATION

Remuneration Range	Actual 2010 \$	Actual 2009 \$
Between \$100,000 and \$109,999	1	1
Between \$110,000 and \$119,999	1	1
Between \$120,000 and \$129,999	-	1
Between \$130,000 and \$139,999	2	1
Between \$230,000 and \$239,999	-	1
Between \$240,000 and \$249,999	1	-

No compensations or other benefits were paid or payable to any persons who ceased to be employees during the financial year. No indemnity was provided to any employee during the financial year.

Notes to the Financial Statements (continued)

8(1). LITIGATION FUND

	Actual 2010 \$	Actual 2009 \$
Balance at 1 July	248,620	256,510
Crown funding	42,398	-
Interest received	7,883	13,414
Expenses incurred	(76,901)	(21,304)
Balance at 30 June	222,000	248,620

8(2). ACCUMULATED FUNDS

	Actual 2010 \$	Actual 2009 \$
Balance at 1 July	1,624,116	1,341,024
Net operating surplus for the year	317,397	283,092
Balance at 30 June	1,941,513	1,624,116

9(1). CASH AND CASH EQUIVALENTS

	Actual 2010 \$	Actual 2009 \$
Cash at bank	222,330	558,716
Short term bank deposit	1,503,116	500,000
Cash and cash equivalents	1,725,446	1,058,716

Details of the short term bank deposit are as follows:

	Interest Rate 2010	Term 2010	Actual 2010 \$	Actual 2009 \$
Westpac Banking Corporation	4.20%	80 days	500,000	-
Westpac Banking Corporation	4.10%	65 days	503,116	-
Westpac Banking Corporation	3.80%	40 days	500,000	500,000
			1,503,116	500,000

9(2). CASH AND CASH EQUIVALENTS – LITIGATION FUND

	Actual 2010 \$	Actual 2009 \$
Cash at bank – Litigation fund	213,365	248,999
Cash and cash equivalents – Litigation fund	213,365	248,999

(Litigation expenses of \$76,901 were incurred during the year and paid out of the Commission's main bank account. Of this amount, \$43,517 was transferred from the Litigation account during the year. A transfer from the Litigation account for the balance of \$33,384 will be made in the 2010-11 financial year. Additional Crown funding of \$42,398 was received on 14 July 2010 to bring the Litigation fund back up to the appropriated amount of \$222,000).

10. DEBTORS AND OTHER RECEIVABLES

	Actual 2010 \$	Actual 2009 \$
Accounts receivable	110,116	49,137
Prepayment	4,868	-
Interest receivable	8,339	3,396
Debtors and other receivables	123,323	52,533

The carrying value of receivables approximates their fair value. The ageing profile of receivables at year end is as follows:

	Actual 2010 \$	Actual 2009 \$
Not past due	79,181	38,050
Past due 1-30 days	10,757	6,637
Past due 31-60 days	6,402	3,825
Past due more than 60 days	13,776	625
Total	110,116	49,137

As at 30 June 2010, \$311 has been written off for bad debts and recognised as an expense in the Statement of Comprehensive Income.
As at 30 June 2010, all overdue receivables had been assessed for impairments and no provisions were required.

Notes to the Financial Statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Computer Equipment	Furniture & Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
Cost or valuation					
Balance at 1 July 2008	128,604	225,895	88,574	51,763	494,836
Additions	-	1,005	31,077	-	32,082
Balance at 30 June 2009	128,604	226,900	119,651	51,763	526,918
Balance at 1 July 2009	128,604	226,900	119,651	51,763	526,918
Additions	-	5,998	8,954	-	14,952
Balance at 30 June 2010	128,604	232,898	128,605	51,763	541,870
Accumulated depreciation and impairment losses					
Balance at 1 July 2008	32,151	83,442	25,160	14,286	155,039
Depreciation expense	10,717	56,599	9,893	5,176	82,385
Balance at 30 June 2009	42,868	140,041	35,053	19,462	237,424
Balance at 1 July 2009	42,868	140,041	35,053	19,462	237,424
Depreciation expense	10,717	48,128	12,488	5,177	76,510
Impairment losses	-	-	-	-	-
Balance at 30 June 2010	53,585	188,169	47,541	24,639	313,934
Carrying amounts					
At 1 July 2008	96,453	142,453	63,414	37,477	339,797
At 30 June and 1 July 2009	85,736	86,859	84,598	32,301	289,494
At 30 June 2010	75,019	44,729	81,064	27,124	227,936

12. INTANGIBLE ASSETS

	Computer Software	Registration Software	Capital Work in Progress	Total
	\$	\$	\$	\$
Cost or valuation				
Balance at 1 July 2008	56,567	906,125	-	962,692
Additions	-	134,162	-	134,162
Transfer to Registration software	-	-	-	-
Balance at 30 June 2009	56,567	1,040,287	-	1,096,854
Balance at 1 July 2009	56,567	1,040,287	-	1,096,854
Additions	-	68,749	41,870	110,619
Transfer to Registration software	-	-	-	-
Balance at 30 June 2010	56,567	1,109,036	41,870	1,207,473
Accumulated amortisation and impairment losses				
Balance at 1 July 2008	35,354	151,021	-	186,375
Amortisation expense	14,142	231,731	-	245,873
Impairment losses	-	-	-	-
Balance at 30 June 2008	49,496	382,752	-	432,248
Balance at 1 July 2009	49,496	382,752	-	432,248
Amortisation expense	7,071	283,098	-	290,169
Impairment losses	-	-	-	-
Balance at 30 June 2010	56,567	665,850	-	722,417
Carrying amounts				
At 1 July 2008	21,213	755,104	-	776,317
At 30 June and 1 July 2009	7,071	657,535	-	664,606
At 30 June 2010	-	443,186	41,870	485,056

Notes to the Financial Statements (continued)

13. EMPLOYEE ENTITLEMENTS

	Actual 2010 \$	Actual 2009 \$
Accrued salaries and wages	62,243	41,608
Provision for annual leave	186,649	160,771
Provision for sick leave	-	-
Retirement and long service leave	-	-
	248,892	202,379

14. CREDITORS AND OTHER PAYABLES

	Actual 2010 \$	Actual 2009 \$
Creditors and other payables include:		
Payables to suppliers	239,113	169,444
Accruals	109,402	53,595
ACC accruals	18,954	14,502
PAYE / withholding tax payable	27,835	34,238
	395,304	271,779

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

15. RECONCILIATION OF NET OPERATING SURPLUS WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Actual 2010 \$	Actual 2009 \$
Net Operating Surplus	290,777	275,202
Items not involving cash:		
Depreciation and amortisation expenses	366,679	328,259
Changes in working capital items:		
Employee entitlements	25,877	18,999
Creditors and other payables	109,633	(342,960)
Debtors and other receivables	(70,790)	(27,736)
Goods and Services Tax receivable	(37)	51,995
Net cash inflows from operating activities	722,139	303,759

16. FINANCIAL INSTRUMENTS

The Charities Commission is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, bank deposits, receivables and payables. Revenues and expenses are recognised in the *Statement of Comprehensive Income*. The Commission's exposure to off-balance sheet financial instruments is limited to operating commitments (refer to the *Statement of Commitments*).

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Commission. The Commission is exposed to credit risk on its balances of cash and cash equivalents, and debtors and other receivables. The Commission manages its exposure by placing all cash and cash equivalents with New Zealand registered banks having high quality ratings and by managing debtors and other receivables in accordance with the Commission's credit management policy.

The Commission holds a credit enhancement via the Crown Retail Deposit Guarantee Scheme (CRDGS) for funds held with banks that have opted into the scheme. There is a cap on the size of the deposit that is covered by the guarantee of \$1 million per depositor per guaranteed institution. From 12 October 2010, a coverage limit of \$500,000 per eligible depositor per institution applies.

The Commission does not have any significant concentrations of credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Commission does not have any significant exposure to interest rate risk. Any risk is managed by holding funds at call, or on short-term deposit.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission does not have any exposure to currency risk.

Fair Value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the *Statement of Financial Position*.

Liquidity Risk

Liquidity risk is the risk that the Charities Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash. The Commission aims to maintain flexibility in funding by securing and keeping adequate Crown funding available.

In meeting its liquidity requirements, the Commission maintains a target level of bank deposits that must mature within the specified timeframe.

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 6 months	Total
	\$	\$
2009		
Creditors and other payables (note 14)	271,779	271,779
2010		
Creditors and other payables (note 14)	395,304	395,304

Notes to the Financial Statements (continued)

17. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Commission is an autonomous Crown entity as defined by the *Crown Entities Act 2004*. The major portion of funding for the Commission's operations is received from the Crown.

The Commission enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

There are close family members of key management personnel employed by the Commission. The terms and conditions of those arrangements are no more favourable than the Commission would have adopted if there were no relationship to key management personnel.

	Actual 2010 \$	Actual 2009 \$
Key management personnel compensation		
Salaries and other short-term employee benefits	749,814	848,876
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total key management personnel compensation	<u>749,814</u>	<u>848,876</u>

18. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that would have led to an amended view of the values of assets or liabilities at the date of the balance sheet.

19. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

	Actual 2010 \$	Actual 2009 \$
Loans and receivables		
Cash and cash equivalents (Note 9 (1))	1,725,446	1,058,716
Cash and cash equivalents – Litigation fund (Note 9 (2))	213,365	248,999
Debtors and other receivables	155,906	85,079
Total loans and receivables	<u>2,094,717</u>	<u>1,392,794</u>
Financial liabilities		
Creditors and other payables (Note 14)	395,304	271,779
Total financial liabilities	<u>395,304</u>	<u>271,779</u>

20. CAPITAL MANAGEMENT

The Commission's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Commission is subject to the financial management and accountability provisions of the *Crown Entities Act 2004*, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

21. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanation for significant variations from the Commission's budget figures are as follows:

Statement of comprehensive income

Registration-related costs – Favourable variance of \$0.387m was due mainly to under-spending on personnel costs (registration staff) of \$0.171m and out-sourced application processing costs of \$0.122m. The variance on out-sourced application processing costs was due to fewer documents being processed than budgeted and bringing the function in-house in January 2010. Fewer operational staff than budgeted were required following the out-sourcing of the contact centre function in December 2009 which contributed to the favourable variance in personnel costs.

Statement of financial position

Cash and cash equivalents – The cash and cash equivalents at 30 June 2010 were more than budget by \$0.374m and due mainly to actual expenses being less than budgeted expenses. Some variances are highlighted in the *Statement of Comprehensive Income* above.

Creditors and other payables – Creditors and other payables were less than budget by \$0.120m due to the lower level of registration-related creditors, in particular the out-sourced application processing costs.

Statement of movements in taxpayers' funds

Net surplus for year – There was a net surplus for the year of \$0.291m compared to the budget surplus of \$0.019m. The favourable variance of \$0.272m was due mainly to the budget variances explained in the *Statement of Comprehensive Income* above.

Statement of cash flows

Net cash inflows from operating activities were more than budget by \$0.296m due to the favourable operating variances explained in the *Statement of Comprehensive Income* above.

Our People

Capacity and capability

Over the past year, the Commission has focussed on improving capacity and capability across the organisation, and strengthening the Commission’s culture to ensure the Commission meets its strategic goals.

The Commission has paid particular attention to aligning and engaging staff with the Commission’s strategic direction, providing learning and development opportunities, and ensuring staff are recognised and remunerated appropriately as the organisation has evolved and broadened its functions.

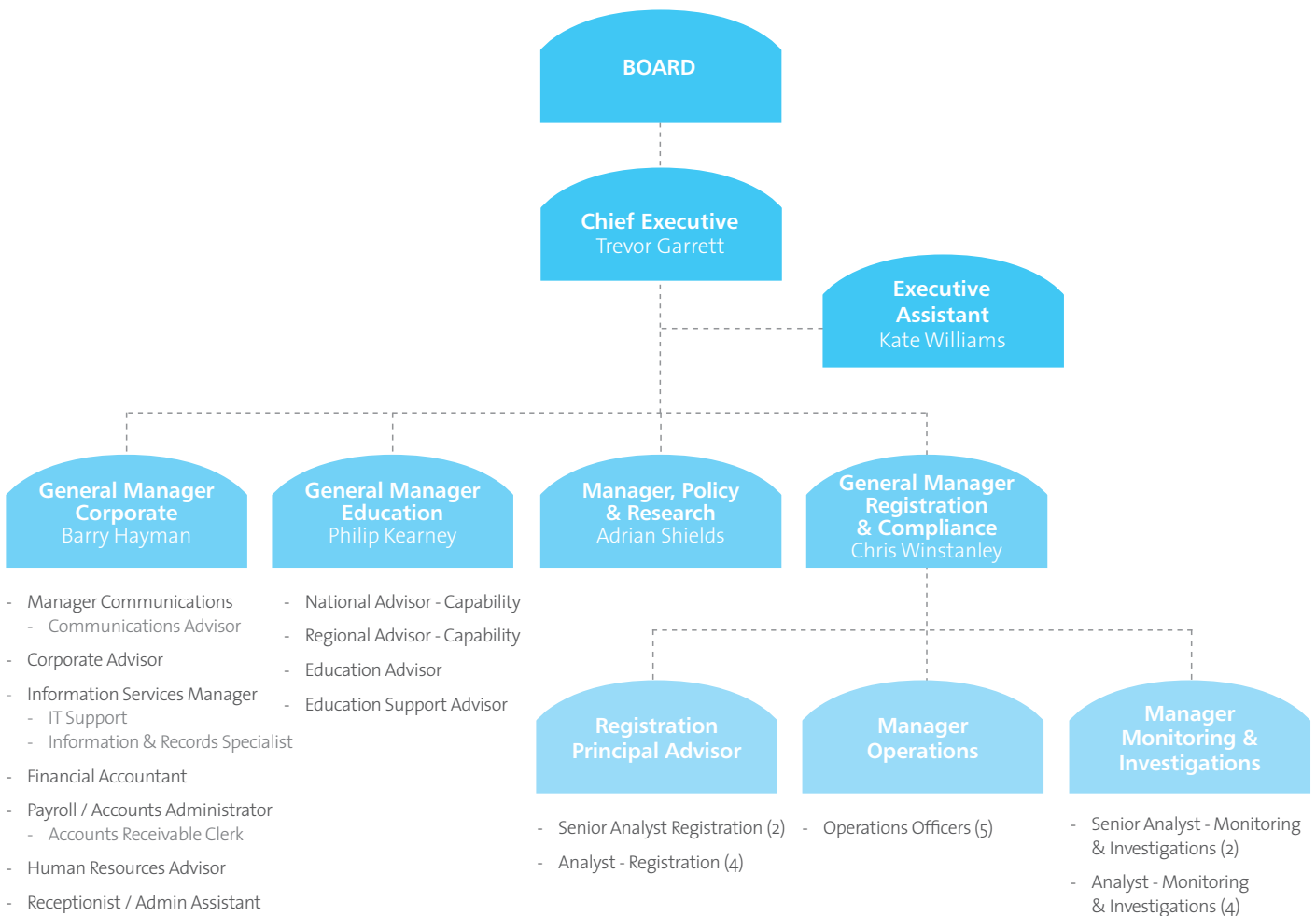
To review capacity, capability and identify further performance improvements, the Commission implemented an Organisational Review in October 2009. This review considered whether the alignment and location of positions to functions in the Commission were appropriate, and whether current staff capacity would meet the ongoing requirements for each of the Commission’s functional areas. The review identified that the Commission’s requirements for legal advice had changed as the Commission had matured and built up a legal skill base. It identified that specialist legal services could be accommodated either from within the Commission’s existing skills base or outsourced as necessary.

Over the 2009-10 year the Commission has:

- employed six permanent and six fixed-term staff
- had five permanent staff resign, and one fixed-term staff member conclude their agreement
- disestablished its specialist in-house legal function

The Commission’s turnover rate was 15% and the average length of service was 2.43 years. Service ranged from two months to 4.75 years.

The current organisational chart is shown below:



Gender and ethnicity workforce profile

As at 30 June 2010, the Commission employed 40 staff.

Of these staff, 35 were permanent and five were fixed-term. 36 staff were full-time and four were part-time.

The Commission's gender, ethnic and age workforce profile was:

Gender, disability and workforce profile	% of staff
Part-time	10.3
Women	46.0
Women in management team	30.0
Employees with a disability	2.5

Ethnicity	% of staff
NZ European/Pakeha	57.5
Other European	10.0
Maori	5.0
Maori/Pakeha	2.5
Maori/NZ European/Pakeha	2.5
NZ Maori and Pacific Islands	2.5
Pacific Islands and other European	2.5
Asian	10.0
Other: French Canadian	2.5
Other: American	2.5
Not declared	2.5

Age	% of staff
Not declared	16.7
20 to 24 years	5.6
25 to 29 years	19.4
30 to 39 years	16.7
40 to 49 years	22.2
50 to 59 years	13.9
60 years and over	5.6

'Good employer'

The Commission is committed to the principles of being a 'good employer' and providing equal employment opportunities for all employees.

The Commission develops a Good Employer Plan annually. This programme values equity and fairness, promotes the seven elements of being a "good employer" and supports the Commission in its goals of being an organisation that people want to work for.

When developing the Good Employer Plan for 2009-10, staff were widely consulted and provided input through staff workshops and suggestion boxes.

Staff were also consulted on new policies and procedures implemented by the Commission. Both the Commission's policies and procedures and Good Employer programme have focussed on developing the Commission's capability to meet its objectives by:

- continuing to attract, develop and retain high calibre employees
- rewarding and recognising staff in a fair and equitable manner, and
- enhancing the organisational culture.

The Commission has recently completed the JRA NZ Workplaces Survey to measure staff engagement levels and identify further ways the Commission can be a great place to work. Feedback from this survey will be incorporated into the development of the 2010-11 Good Employer Plan.

The Commission implemented the following initiatives that promote the seven elements of being a "good employer" during 2009-10:

Leadership, accountability and culture

The Chief Executive and management team have continued to meet regularly with staff to communicate the Commission's vision and share progress against organisational goals.

A bi-monthly leadership forum has been established to provide support and coaching for managers on management and leadership issues. Two staff with high leadership potential attended the New Zealand Aspiring Leaders Forum.

Staff were consulted and kept regularly informed of progress throughout the Commission's organisational review in 2009.

A Commission-wide function for staff and their families was held to reinforce the importance of family and creating a team culture.

The Commission commenced a "Defining our Values" project to define the Commission's core values that will underpin its culture.

New initiatives were developed for staff in the areas of payroll giving and professional development.

The Commission has continued to recognise its successes when key targets and milestones were met.

Recruitment, selection and induction

The Commission is committed to delivering recruitment practices that are impartial, transparent, equitable and not discriminatory on any grounds.

This year, special emphasis has been placed on gender balanced recruitment panels, position appropriate behavioural event interviewing practices and psychometric testing. Job advertisements were selectively placed in media to attract target groups and encourage diversity.

Induction processes have continually been reviewed and updated so new staff receive a comprehensive introduction to the Commission. Follow up meetings are held with new staff within three months after their commencement to ensure their induction training met their needs.

Employee development, promotion and exit

The Commission supports the professional development of staff through individual performance planning and review. Development plans are based on staff's personal and professional aspirations.

Employee development has been a high priority for the Commission this year. Learning and development opportunities have been actively encouraged and staff have attended a greater number of training programmes than in previous years. The Commission also held a number of customised in-house workshops to address common developmental needs. A professional development lunchtime seminar series for staff continues to be held monthly.

As the Commission has broadened its functions, 45% of staff have had their position grow in size and complexity. This has provided staff with greater challenges to further utilise their skills, and greater learning and development opportunities within their position.

Exit interviews have continued to be offered to departing staff. Exit interviews have been monitored for any EEO reasons influencing staff resignations.

The staff member made redundant was offered a wide range of support including EAP and career coaching.

Flexibility and work design

The Commission operates its work arrangements to balance the employment requirements of all staff in a respectful and flexible way.

Opportunities available to staff, which can be negotiated with their manager, include; flexible working hours, working reduced hours, working from home on occasion where appropriate, and part-time work.

The main areas the Commission approved flexible work practices were in relation to staff requests to:

- work reduced hours due to health issues
- work flexible hours to look after the needs of school age children
- adjust part-time hours to manage work demands
- take time off in lieu for working extra hours, and
- work from home (when caring for a dependant, or having relocated outside Wellington)

The Commission increased its annual leave provisions by two days to bring it into line with other government agencies.

Remuneration, recognition and conditions

The Commission has continued to annually review its remuneration framework using up-to-date job descriptions, job evaluations and market surveys. The Commission also reviews internal equities to ensure the framework is transparent, fair and gender-neutral.

As 45% of staff have had their positions grow in size and complexity this year, the Commission has updated the job descriptions, job evaluations and market remuneration of most positions.

Remuneration increases continue to be linked to employees' performance over the year. Particular employee contributions are recognised with non-cash incentives when appropriate.

Harassment and bullying prevention

The Commission has zero tolerance for any form of harassment or bullying.

It continues to provide training on its anti-harassment policy for new staff during their induction. Refresher training is planned for staff.

Safe and healthy environment

The Commission is committed to keeping staff safe and healthy. This year, the Commission raised awareness about health and wellbeing by holding sleep and nutrition seminars for staff, and negotiated a group premium health insurance discount for staff with Southern Cross Health Care. It also held seminars on emergency preparedness and ran an "Emergency Commuter Pack" competition for all staff.

The Commission continues to:

- have an active Health and Safety Committee
- appoint and train first aiders and fire wardens
- review its health and safety practices and investigate any accidents
- encourage staff to participate in the health and safety of the Commission
- provide the services of a confidential external Employee Assistance Programme to staff and their dependents
- provide new staff with workplace assessments
- encourage staff to use their annual leave in the period in which they earn it
- provide annual flu vaccinations to staff and their partners
- reimburse staff for the cost of eye tests on a bi-annual basis

For information on further initiatives undertaken by the Commission, please visit our website www.charities.govt.nz

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GUIDANCE & INFORMATION

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