



Definitions for some commonly used terms

Act means the Charities Act 2005, unless specified otherwise.

Aims are the objectives that an organisation aims to achieve and the way in which an organisation delivers its mission.

Accounts mean the record of your financial affairs. They do not need to be audited accounts.

Accrual refers to the accrual method of accounting.

Accountability means being responsible for all aspects of your organisation, including financial and operational accountability, and keeping interested parties clearly informed about what your organisation does.

Annual Return The Act requires all charities registered with the Charities Commission to file an Annual Return.

For the purposes of the Act, an Annual Return consists of a completed Annual Return Form and a copy of your accounts. Your accounts may be audited or un-audited.

A change to section 23 of the Incorporated Societies Act says that Incorporated Societies who are also registered with the Charities Commission do not need to send an

annual financial statement to the Companies Office. They only need to send an Annual Return to the Charities Commission.

Balance date means the date that is set as the end of the financial year for your organisation. In your application to the Charities Commission, you may nominate a balance date that is convenient for your organisation. If you do not nominate a date, the Act automatically sets the balance date as 31 March.

Body corporate is an organisation that has legal personality (can sue and be sued) and includes a company and an incorporated society, but not a trust.

Charitable trustees are the trustees of a trust that has at least one purpose that is charitable and are responsible for managing that charity. Legally, the trustees are the 'trust' in that they 'own' the assets and are responsible for the management of the assets, including distribution of benefits.

Charitable purpose has a special meaning in the law that is more limited than the meaning people generally give to those words.

To have a charitable purpose, the rules or governing document of an organisation must clearly state that its work is for:

- the relief of poverty
- the advancement of education
- the advancement of religion
- any other matters that are beneficial to the community

For an organisation's purposes to be charitable, its aims must also be for a public purpose. The benefit must be available to a large part of the community and the activities must not result in the private benefit or profit of any individual. Some examples include:

- religious institutions
- aged persons' homes
- homeless hostels
- organisations relieving the special needs of people with disabilities
- non-profit child care centres
- societies that promote the arts

A non-charitable purpose secondary to an organisation's charitable purpose does not stop the organisation from qualifying for registration as a charitable entity.

The relevant section of the Charities Act relating to the meaning of charitable purpose is section 5.

For more, see our information sheet *Charitable purpose*

Charitable tax exemption is a general term referring to the exemptions from income tax, RWT and gift duty that some charitable organisations may qualify for.

Common seal is the way a body corporate formally signs documents. Usually the rules of the body corporate will say when and how the seal should be used.

Derived by as in "income derived by a charity" means income received by the charity from any source, including donations, bequests, investments, or trade activities.

Donation means a gift, in contrast with a payment for goods or services.

Donee means a person or organisation receiving a donation.

Donee organisation means a special type of organisation that is seen by Inland Revenue to have met certain requirements in the Income Tax Act 2004. Certain individuals and companies may receive tax benefits by making gifts of money to a donee organisation. A charity can be a donee organisation. For more information, see Inland Revenue's *Charitable organisations* (IR255) booklet

Donor means a person or organisation that gives money, property or services to another.

Entity means an organisation that has a legal identity. In the context of the Charities Act, entity means the

trustees of a trust, an incorporated society, a company, an institution or any other group of people who act together. There is no need for the entity to have a formal or legal personality but it will need to have some rules that govern what it does in order to be registered.

Financial accounts see **Accounts**

Governance of an organisation refers to the way the organisation is managed and regulated, including the establishment and monitoring of its direction, and way it complies with all legal and financial obligations.

Governing document is the document that establishes a charity, setting out its purpose and how it should be run. It contains the guidelines and instructions for the charity's trustees, board, executive or committee. A governing document may be a trust deed, constitution, rules, or other type of formal document.

Incorporated means the result of formally making an organisation either into a company under the Companies Act 1993 or an incorporated society under the Incorporated Societies Act 1908. Literally it means 'made into a body'.

Institution means an establishment, organisation, association, or other group that has been set up for a public purpose.

Legal name means the formal name of your organisation.

Legislation is an Act of Parliament and includes regulations authorised by that Act.

Objects are the purposes of the charity and are set out in the governing document. For examples of wording for purpose clauses, see our information sheets on *Purposes beneficial to the community*, *The advancement of education*, *The advancement of religion* and *The relief of poverty*.

Officer means:

- a trustee of a trust
- a member of the board or governing body of an organisation
- if there is no board or governing body, a person in a position to exercise significant influence over the management or administration of the organisation.

Examples of people likely to be officers are a governor, director, treasurer, chief executive, or committee member.

Also see our information sheet *Officer certification*, and the guidance notes on *Form 2 – Officer certification form*.

Operate means work, deliver services or receive income. As in 'where does the charitable entity operate or intend to operate?'

Parent entity refers to an organisation that makes a request for it and other closely related organisations to be registered as a group, which will then be called a 'single entity'.

Usually, but not necessarily, this will be the parent body of a group of affiliated organisations.

The status of a parent entity continues to have significance after the group is registered as a 'single entity'.

For more information, see our information sheet *Group registration*.

Qualifications refers to the qualifications that officers of a charitable entity must meet as set out in section 16 of the Act and any qualification requirements in the rules of the charity concerned.

Under section 16(2), a person is not qualified to be an officer if he or she:

- is an undischarged bankrupt
- is under the age of 16 years
- has been convicted of a crime involving dishonesty (section 2(1) of the Crimes Act 1961) and sentenced within the last 7 years
- is prohibited from being a director or promoter of, or being concerned or taking part in the management of, an incorporated or unincorporated body under the Companies Act

1993, the Securities Act 1978, the Securities Markets Act 1988, or the Takeovers Act 1993

- is disqualified by the Charities Commission under section 31(4) of the Charities Act 2005
- is subject to a property order made under the Protection of Personal and Property Rights Act 1988, or have their property managed by a trustee corporation under section 32 of that Act (this relates to people who are not fully able to manage their affairs)
- is a body corporate that is being wound up, is in liquidation or receivership, or is subject to statutory management under the Corporations (Investigation and Management) Act 1989
- is disqualified from being an officer under the rules of their charity.

These disqualifying factors do not apply to an officer who has been appointed under an Act of Parliament, by the Governor-General, the Governor-General in Council, or by a Minister of the Crown.

Also, the Charities Commission may waive any of these disqualifying factors in relation to a particular officer of an organisation.

See our information sheets *Officer certification*, and the guidance notes on *Form 2 – Officer certification form*.

Rules are the documents that define the constitution of the charity, establish the purpose of the charity, and govern the way the charity is run. The rules cover who the organisation is, what it can do, and how it does it. (see **Governing document**).

Single entity is a group of closely related individual charitable organisations registered as a single entity. See **Parent entity**. **Society** is a number of people who voluntarily group together for a common purpose. A society may be incorporated under the Incorporated Societies Act 1908, and then becomes a separate 'legal' person or body (see **Incorporated**).

Submission refers to a letter putting forward your ideas or reasons for consideration.

Trust means an arrangement where property is held by one or more people (the trustees) at the request of another person (the settlor) for the benefit of a third party (the beneficiary), or for charitable purposes.

Trusts are governed by a document called a trust deed and may have a number of purposes. However, to comply with the Charities Act 2005, only one of those purposes needs to be charitable.

Trustees are the legal 'owners' of the assets of a trust who hold the assets for the benefit of another person, or group of people (the beneficiaries). Trustees must act in the best interests of the beneficiaries and are responsible for dealing with trust assets in the manner set out in the trust's constituent document (usually a trust deed).

Volunteers are people who provide their time and services to a charity free of charge.

For further information

We hope this information has been helpful.

For more information about the Charities Register or registration under the Charities Act, please browse **www.charities.govt.nz**

You can also call the Charities Commission on our free information line - 0508 242 748.

To get updates by email, please send your name, organisation and contact details to **info@charities.govt.nz**

