

The New Zealand Cause Report

Shape of the Charity Sector

By John McLeod

March 2017

JBWere



Foreword



Craig Patrick

Head of JBWere New Zealand

Following on from the hugely successful and influential JBWere Australia Cause Report we are pleased to present the JBWere New Zealand Cause Report. This report has been built upon many months of research and analysis into the not-for-profit sector in New Zealand.

Our aim is to provide everyone in New Zealand society with a deeper understanding and appreciation of the critical role this sector plays in our country. The sector is vital to the wellbeing of our society, but its scale, scope and direction are not well understood, even by many participants.

Amongst other insights, the report covers:

- the scale, scope and significance of the charitable and not-for-profit sector;
- comparisons of New Zealand trends with our Australian report;
- the headwinds in relation to sustainability and innovation; and
- a breakdown of data at a sector level.

We have engaged with many key individuals across the sector and with a decade of data it becomes very clear the sector continues to grow in size and importance. However, there are challenging trends emerging particularly around an increasing concentration of funding and a decrease in the operating margin of organisations delivering on important causes.

We hope you find this report insightful and useful as a strategic tool to inform your thinking – whether you lead a not-for-profit organisation, you work for or use the services of a not-for-profit, or you are a philanthropist seeking a greater understanding of your cause areas.

I urge you to contact the JBWere New Zealand team if you wish to continue this vitally important conversation.

The JBWere commissioning of The New Zealand Cause Report informs an important discussion on a vital sector in the wellbeing of our society.

The report is an important analysis for the New Zealand sector - while the NFP sector grows per head of population and there is increased scrutiny placed around the value which the charity sector contributes to society, it is increasingly important to demonstrate tangible impact on society. The New Zealand picture emphasises this need further with the reliance on philanthropy rather than Government funding driving the importance of mutual interest collaborations, astute management of expenses and a greater appreciation of the value of volunteers.

One of the most evolutionary changes informed in the report is the incremental focus on 'transforming business models through skilled partnerships'. This transition from corporates support as well intentioned philanthropy to a shared value model for all parties, is aligned to the Cure Kids strategic direction with commercial organisations - creating social and organisational value through likeminded partnerships.

Frances Bengé – CEO Cure Kids

The first in-depth analysis into the past decade of the NZ not for profit sector, The JBWere New Zealand Cause Report, encourages the sector to have innovative win/win discussions with the corporate sector. We have some insights they might find valuable and we look forward to working with JBWere in the future.

Graeme Dingle ONZM, MBE – Co-Founder Graeme Dingle Foundation

The New Zealand Cause Report provides a much-needed and detailed analysis of Aotearoa New Zealand's vital charitable sector - thank you JBWere.

Kate Frykberg – Philanthropy and Community Consultant, Think Tank Consulting; Board Member and Chair, Philanthropy New Zealand 2004-2016

The JBWere New Zealand Cause Report identifies a number of surprising and important trends in the NZ not for profit sector and, as the sector increasingly intersects with the corporate, government and faith sectors, is a must read for many. Importantly it shows as a country we have an enormous number of passionate people willing to start and be involved in good works; we must never lose this passion. However, the report raises important questions around stewardship, duplication of efforts and maximising impact with limited resources, to achieve the charities' sole purpose – delivering on their vision and mission

Jon Hartley – Chair, VisionFund International; Chair, Wellington City Mission

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Executive summary

This report is presented in two sections. The first part deals with the bigger picture of what the sector is, where it fits in a New Zealand and global context, and more significantly, the changes seen over the last decade and the implications of this into the future. It also examines the relativities between each of the not for profit sectors. The second part provides a close look at the individual charity subsectors, made possible by the data collected and published by Charities Services from annual returns from the charities themselves.

One of the most important aspects of the report is to demonstrate how important the not for profit (NFP) sector is to New Zealand society. Not only is its scale significant in relation to the other 3 sectors of Government, business and households, but its interaction to those sectors is underestimated. There needs to be greater recognition that society works better with a strong and sustainable NFP sector.

The increase in information available on the sector means both an increase in transparency and an increase in the opportunity for broader learning, innovation and efficiency gains, each of which will produce positive impacts but will also see some organisations benefit at the expense of others.

We make the following observations based on the analysis of the data in this report:

- While there have been some large changes in growth rates between different charity sectors over time, there hasn't been much change in the names of the large organisations dominating the sector suggesting the ability for new and smaller organisations to innovate and grow is limited. Almost 80% of the 40 largest New Zealand charities have existed for over 20 years. This is in contrast to the for-profit sector where dramatic change in ranking order is common, availability of risk capital is higher and the financial rewards for success are greater.
- The number of charities has grown substantially over time with New Zealand now having one organisation for every 170 people. This is substantially lower than any of Australia, Canada, United Kingdom or USA. Considering the governance requirements from Board members and the number of them required, this may also create a burden on an increasing number of supporters. Since 2010 there have been 2.5 new charities commence each business day.
- Funding growth for the sector has been reasonably strong, averaging 5.7% pa since 2004.
- The mix of this funding has seen a shift with Government (grants plus contracts) rising faster at 7.4% pa to 31% of the total with philanthropy rising more slowly at 3.8% pa. A significant part of this change has been a result of Government outsourcing to NFP organisations which can then have a limiting effect on profit margins.
- Although philanthropy has been reasonably flat at around 15% of sector income, it is within a growing total. The shape of the philanthropic pie sees around half of the donations coming from individuals, and another 15% through family trusts and bequests, similar to Australia. The differences are in the large proportion coming from statutory trusts in New Zealand while corporate philanthropy is relatively low, the reverse seen in Australia. Many of the trends within individual philanthropy are similar in both countries

with the proportion donating flat but for those who do, their donations rising well above inflation rates. It is worth observing that the largest change in philanthropy in Australia in recent years has been the introduction of the simple, tax deductible, private foundation structure, the Private Ancillary Fund (PAF) which has encouraged a corpus of around A\$8Billion donating almost A\$500m per year, doubling trust and foundation giving levels.

- The use of NFP funding has remained constant over this period with employee expenses consistently making up almost 40% of total spending. The rate of growth in total expenses has been 6.0% pa since 2004, a little above the growth in revenue, keeping margins tight.
- The scale of the volunteering component of NFP operations is underestimated and potentially undervalued. Even at the \$22/hr wage rate applied by Statistics New Zealand it is worth 30% more than philanthropy to the sector but more visible effort generally goes into the latter. Without some change, the recent peaking in volunteering seen in most Western countries and an ageing team could signal growing difficulty in attracting this highly valuable "free" help.
- The asset base of the sector is very strong but concentrated with 85% of assets controlled by the largest 15% of organisations. It is even more concentrated by income. This means that the potential innovation sitting in the remaining people and organisations often doesn't see the funding needed to be realised. The fact that 45% of the sector's assets are in property raises the question about how mission serving that asset mix may really be. Also, the annual depreciation costs of around \$700m, are a significant cost for the sector. This risk capital blockage may be starting to break with the growing interest in social and impact investing and the continued blurring of the lines between for-profit and NFP organisations.
- Within individual sectors, a number of observations are made including the importance of philanthropy funding for arts, culture and heritage which is around double the proportion seen across the charity sector.
- International activity relies even more heavily philanthropy for around 70% of its income and has one of the lower levels of operational surplus plus a relatively low asset base compared to income. While providing an immensely important service to the most needy, it isn't a great formula for sustainability.
- Religious activities organisations are the largest recipients of philanthropy and second largest for volunteering (behind sport), assets and number of organisations (behind education) in the charity sector. However, following the trend seen in both the USA and Australia, their share of the philanthropic pie is falling and the sector faces the same decisions of other asset rich/income challenged groups.
- Overall, for the NFP sector to remain as effective as possible and to maximise impact, it needs to continue to evolve and faster than in the past. Something has to change to enable continued sustainability and that involves a combination of where funding comes from and how it is used.

Introduction

When trying to analyse the not for profit (NFP) sector, rather than examine what is included, some observers have preferred to define it by what it isn't. Leave out Government and government controlled organisations, businesses or organisations where profit can be distributed and individuals, communities or families and what you have left is the not for profit sector. The comprehensive 2013 text, "Charity Law in New Zealand" by Dr. Donald Poirier, describes the technical inclusions of the not for profit sector and its relationship with charitable entities and descriptions of it as the third sector. Indeed, the term "Third Sector" is common around the world and was the title of the late Mark Lyons' excellent 2001 Australian text and included in his earlier work with Susan Hocking looking at the Dimensions of Australia's Third Sector. The term refers to its place as one of the four sectors in society along with Government, business and households.

What this definition doesn't portray is that the NFP sector is intimately connected to each of the others in that they are the funders of it, purchasers of its products, beneficiaries of its services and very significant employees and volunteers in its organisations. The sector is the glue which holds much of New Zealand society together and allows it to function and prosper. Despite this, it has only been in recent years that the scale and breadth of the sector has begun to be measured and still, these values don't capture most of the social returns being achieved and certainly don't put a financial value on them. It is still true that the sector is only reimbursed for its successes, not rewarded.

“The sector is the glue which holds much of New Zealand society together and allows it to function and prosper.”

This report attempts to track the growth of the sector over the last decade using a variety of sources including the Statistics New Zealand Non-profit Institutions Satellite Accounts and then blends in the wealth of data being collected through the Charities Services annual returns information completed by charities to provide a breakup across causes.

International comparisons are made where possible looking at the comparative size and type of charities, their income sources, expenditures and employees, growth and relative size compared to their overall economy.

The report then examines some significant trends over this decade including growth and changes in funding mix, expenditure patterns and staffing. It then combines this with some significant emerging areas of activity such as:

- impact investment;
- shared value approaches to corporate engagement; and
- government and philanthropic funding capacity.

It looks at where opportunities and challenges for the sector may emerge.

Finally, each charity sector is examined individually with similar analysis provided. For each subsector we provide:

- a description of the activities within that sector;
- commentary on significant observations about the sector;
- a profit and loss statement for the sector;
- the balance sheet for the sector;
- details of staffing and volunteering;
- a list of the top 10 organisations in order of gross income;
- plus charts showing the sectors relationship between profit and income and between assets and income.

Often the overall NFP sector is analysed as a homogenous group when there is actually great diversity in the way individual causes operate and many lessons can be learnt across sectors.

In choosing the title "The New Zealand Cause Report", we wanted to move away from the currently used terms which often impose boundaries and perpetuate some myths about the sector. In this fast evolving sector, one of the only constants is that each organisation is seeking to enhance a particular cause by maximising the social return they can achieve. The methods they use and resources they gather to do that are expanding rapidly but still as a commonality, they exist to serve that cause.

We hope you enjoy reading this account of New Zealand's not for profit sector and its current shape both in breadth and strength terms. Most importantly, we hope that a deeper understanding of the history and potential future challenges and opportunities, combined with detailed analysis of each subsector, will help you benchmark your organisation and further develop your strategy.

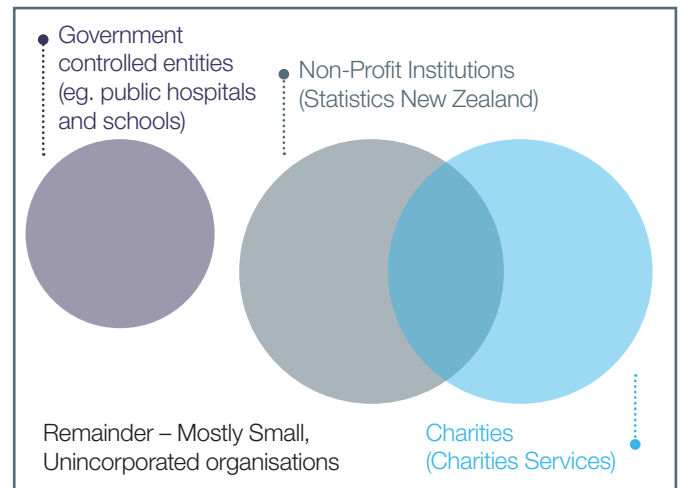
JBWere would be pleased to discuss and expand on any aspects of the report and the opportunities available for your organisation.

What is the not for profit sector and where does it fit into New Zealand society?

One of the great difficulties in discussing the not for profit sector is definitions and seemingly synonymous terms. Most people equate the term, not for profit (or for purpose if you want to make the point that they can and should make a profit) with the term charity. Then if organisations do the same thing (e.g. private and public schools) most would expect them to be both under the same category. Also when we look at sub categories, would the Salvation Army be a religious or social services organisation and the Red Cross an emergency or International Aid organisation. Despite the many similarities between New Zealand and Australia, why is giving to religion not tax deductible in Australia but does receive a tax credit in New Zealand and does that affect donation levels? Finally, why can I get a tax credit for school fees paid to a general fund of a State school but not for tuition fees paid to a private school and why is the of treatment of tax credits different for kindergartens depending on who is running them? There are logical if not tortuous answers to each of these questions and understanding which sector organisations belong in, helps answer many of them.

The chart below describes the position of the organisations within the not for profit sector and then within each of the Statistics New Zealand and Charities Services data sets we have used to compile most of the data for this report. Happily, both have used the International Classification of Non Profit Organisations (ICNPO) to categorise their respective organisation groups into subsectors. The New Zealand Standard Classification of Non-Profit Organisations (NZSCNPO) is the actual term used but for consistency with other international and particularly Australian wording we have used the term ICNPO. The adaption of the ICNPO into the NZSCNPO only makes minor adjustments around early education, governing tangata whenua institutions and support and ancillary services. This breakup of causes used by the ICNPO is also the one we have used in the latter sections of our report with detailed descriptions included for each subsector.

Not for Profit Sector Organisations



Source: JBWere Philanthropic Services

The total not for profit sector comprises around 115,000 organisations, the majority (61% estimated by Statistics New Zealand) of which are often small, unincorporated associations and often volunteer based. The legal status of the remainder varies but around 20% are incorporated under the Incorporated Societies Act 1908 and 15% under the Charitable Trusts Act 1957. Just focusing on registered charities, around two-thirds are bodies corporate with 40% of those under the Charitable Trusts Act and 25% under the Incorporated Societies Act. Depending on the activity of the organisation, they may be entitled to tax concessions, including income tax exemption. Those who are registered as charities will have activities which have a particular charitable purpose as defined under the Charities Act 2005. Further, these organisations may be able to give donors a donation receipt.

The most recent Statistics New Zealand data in 2013 was compiled from a variety of sources including their own Business Register, registers held by the Companies Office of incorporated societies and charitable trusts, the charities register from Charities Services, membership registers of umbrella sporting organisations and other sources. Significantly, the data covers organisations who:

- are organized to the extent that they can be separately identified;
- are not for profit and do not distribute any surplus they may generate to those who control them;
- are institutionally separate from Government;
- are in control of their own destiny; and
- and are non-compulsory in terms of both membership and members' input.

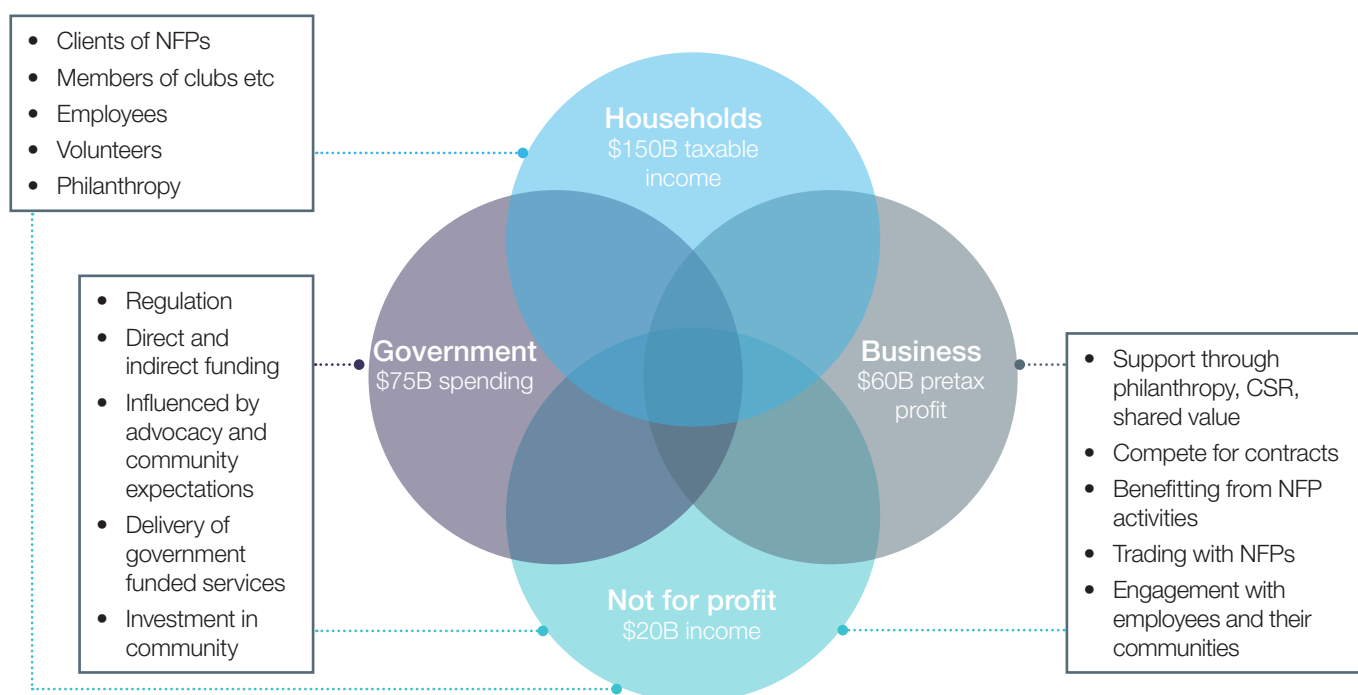
The Charities Services data set is self selecting as it only includes those organisations judging it worthwhile to register as charities and who qualify as having charitable purposes that are for the public (or a sufficient section) benefit.

Comparing the Statistics New Zealand and Charities Services sets of data, not surprisingly, shows a large overlap, and the totals for gross income is within 10% of each other, after adjusting for Universities which are not included in the former. However, within sectors, there are some much larger differences mainly due to many more sporting organisations being NPIs but not qualifying or choosing to register as charities.

There is also a significant group of non profit organisations who don't qualify under either of the definitions due to their level of Government control. Most of these are either Government schools or public hospitals.

We can also compare the charity (or third sector) with annual income around \$20 billion to the other sectors of society. The Business sector has annual corporate pre-tax profits around \$60billion, Government has annual spending of around \$75billion and individual's have annual taxable income of around \$150billion. While these values highlight the significance of each sector, they don't highlight the inter-relationship between the sectors. The Productivity Commission in Australia in its 2010 report on the Contribution of the Not-for-Profit Sector discussed the relationship between each of these sectors which is summarised below and highlights the heavy reliance of society on a well-functioning and funded third sector.

Sectors interaction with not for profits



Source: JBWere Philanthropic Services

How does the New Zealand not for profit sector compare internationally?

We have commented earlier the historical sparsity of data for the not for profit sector and welcomed the growing detail provided in New Zealand by both Statistics New Zealand for not-profits institutions and Charities Services for the charity sector. When we seek to compare the New Zealand sector with similar international groups, many of the same issues arise. Questions around who are we including in the sector, does the degree of Government involvement in organisations matter and even do they collect data, what type and how consistent is it across nations. Recognising this, the United Nations Statistical Division and the John Hopkins Centre for Civil Society plus an International Technical Experts Group developed the Handbook on Nonprofit Institutions in the System of National Accounts. This requires each of the participating countries to produce a set of “satellite accounts” on non-profit institutions and volunteering in a consistent way. For most of the 16 countries participating, these accounts were first completed around 2002-03 with the next attempts 6-7 years later. While we are not yet in a situation where all data is collected from countries consistently or indeed all significant countries participate, it has been a major step forward and now allows some good global comparisons to be made.

The following table presents a summary of the UN Nonprofit Handbook findings in a range of areas and has added the UK, which is not included in the Handbook, from data published by their Charity Commission (England and Wales) and which is not therefore necessarily from the same consistently defined group of organisations. It has also included findings from an international comparative study on philanthropy from the Charities Aid Foundation in the UK.

These comparisons provide a number of interesting observations and must also be read in the context of dramatic differences across countries in who actually runs social activities (Government controlled organisations are excluded as NPIs) and who pays for them. For example, we often compare and envy the very high levels of individual philanthropy in the US which, when compared to GDP, is almost double and 13 times greater than in New Zealand and Norway respectively. However, if the next question is “where would you rather be homeless”, the answer may be reversed. While Universities are charities in New Zealand, they are not considered part of the non profit institutions and as such do influence some of these comparisons, especially income sources.

Comparing the number of NPIs and their workforce and country population shows New Zealand has a very large number of often smaller organisations.

The contribution to country GDP from the NPI sector will depend on other strengths in the economy in the year being measured and this will vary for more cyclical industry based economies. These values also underestimate the true worth of the social output from the sector as they only capture the purchasers price of goods and services produced and not the true cost saving to society of their activities. The value of volunteers is highlighted in all countries with an additional GDP contribution of over 1% for all and 2.5% in New Zealand. The cost of employees is around or over 50% of total expenses for all countries, except New Zealand where volunteering is much more significant lowering employee expenses as a proportion of costs.

“These values underestimate the real worth of the social output from the sector as they do not capture the true cost saving to society of their activities.”

The mix of activities within the NPI sectors of different countries is also interesting with smaller countries generally having a higher proportion of expressive (culture, art and sport) activities compared to larger countries who have a greater concentration of service (housing, social services, education and health) activities. In terms of funding, for all countries except New Zealand (due to the exclusion of Universities), the USA sees the lowest proportion of funding coming from Government. It also sees the largest proportion coming from philanthropy. In addition, the sector has grown faster than the economy in each of the countries from the late 1990s to the mid 2000s with the average being 7.3% versus a 5.2% annual growth rate for the overall economies. The New Zealand numbers are for 2004 to 2013, but show a similarly higher growth rate for NPIs versus the broader economy.

Finally, the comparisons for philanthropy relative to GDP show New Zealand similar to Canada and the UK and well ahead of Australia. It should be noted that this is only for individual tax deductible donations which in Australia do not include religious giving, although it is tax deductible or provides a tax credit in several of the other countries, including the USA and New Zealand.

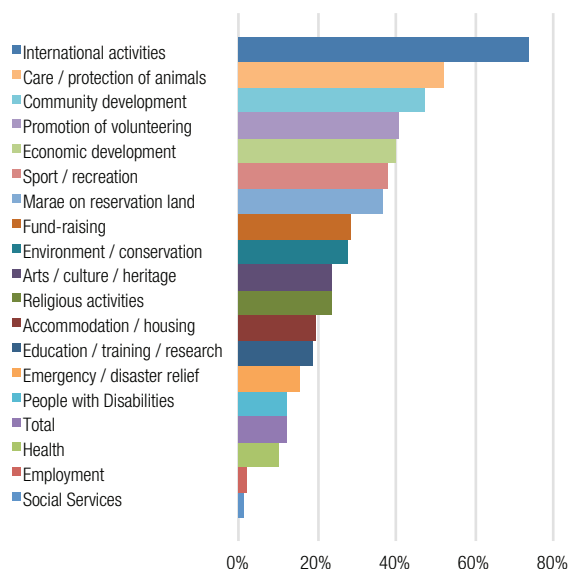
	New Zealand	Australia	USA	Canada	UK	Japan	Norway
Not for Profit sector relative to economy							
Organisations (no.)	27,380	56,894	955,000	85,600	165,188	330,750	na
NPI workforce (no.)	105,330	1,081,900	10,700,000	1,524,032	947,569	4,341,800	92,645
Workforce per NPI	4	19	11	18	6	13	na
Population (no. millions)	4.6	24	324	35	65	126	5.3
Population per NPI	168	422	339	409	393	381	na
NPI employees as % of total workforce	4.4%	8.5%	7.7%	8.5%	3.1%	6.8%	3.5%
NPI employees + volunteers as % of total	10.6%	11.5%	10.2%	na	na	10.0%	8.2%
Revenue	NZ\$17B	A\$107B	US\$2,160B	C\$168B	£69B	Y97,071B	NOK91B
Assets	NZ\$40B	A\$176B	US\$4,840B	na	£235B	na	na
Contribution to GDP (%)	2.8%	3.6%	5.5%	7.1%	na	4.2%	1.9%
Contribution to GDP incl. volunteers (%)	5.3%	4.9%	6.6%	8.1%	na	5.2%	4.6%
Shape of sector							
Service	54%	70%	80%	85%	80%	95%	57%
Expressive	29%	25%	10%	10%	15%	5%	40%
Other	17%	5%	10%	5%	5%	0%	3%
Sector income sources							
Government	31%	38%	32%	51%	47%	37%	53%
Fees/other	45%	54%	55%	42%	45%	59%	34%
Philanthropy	24%	8%	13%	7%	9%	4%	13%
Sector expenditure							
Employee expenses	41%	51%	71%	58%	51%	49%	na
Other expenses	59%	49%	29%	41%	49%	51%	na
Sector growth							
NPIs	5.6%	11.0%	5.5%	6.4%	na	4.4%	8.7%
Economy	4.7%	7.5%	4.4%	5.6%	na	-0.3%	7.8%
Country individual giving							
Individual Giving (US\$billion)	\$1.1	\$2.3	\$258.5	\$12.4	\$17.4	\$7.0	\$0.5
Individual giving as % of GDP	0.79%	0.23%	1.44%	0.77%	0.54%	0.12%	0.11%

Source: The State of Global Civil Society www.ccss.jhu.edu, ABS 2013, www.charitycommission.gov.uk, Urban Institute www.urban.org, www.cafonline.org

How has the not for profit sector changed over time?

From the first report by Statistics New Zealand covering the non profit sector in 2004 to the current shape of the sector, we have seen large changes in both the scale and make-up of the sector in a little over a decade. We've also seen very little change in many other measures. This section of the report looks at these movements.

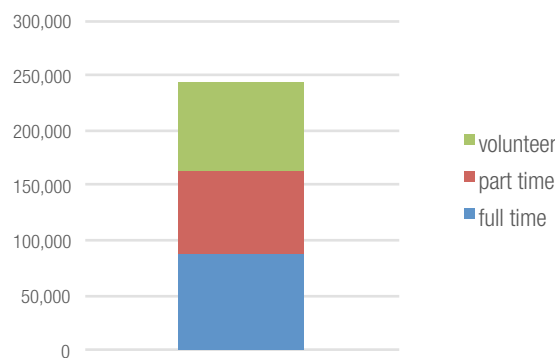
Number of charities



We've focused here on the number of charities, rather than non profit institutes as that group is dominated by smaller sporting organisations. There is no doubt that the number of charities has continued to rise over time in all cause areas. This has been especially the case in some of the smaller areas while education, health and social services have seen smaller increases but off larger bases. Of more interest is the absolute number of charities when compared to population. The earlier table comparing various countries showed New Zealand as having the greatest number of charities compared to population (lowest population per charity). When we then consider the governance requirements of having a Board for each charity, that call on supporter numbers becomes daunting. If we simplistically assumed each charity had 4 Board members (to allow for people being on more than one Board), we would see one in every 40 New Zealanders on a charity Board. We also see 2.5 new charities being established each business day.

The more difficult question is "Do we have enough yet?" or "What is the right number?" While the country comparisons given in the earlier section of the report compared the population across countries, even this can be misleading as a country where Government collects large taxes and pays for everything, may not need many charities. Similarly, a geographically spread country like Australia may need a number of individual charities and volunteer teams in each town, rather than one centralised organisation serving a concentrated population. With New Zealand's north and south island, perhaps there is a requirement for more organisations to cover the two land masses. The real issue with charity numbers is the potential duplication of energies, ideas, incomes and assets and the lack of shared knowledge and potential public confusion and then inaction. It is a discussion worth continuing.

Charity Sector workforce



The sector has a large and flexibly structured workforce with around an equal number of full time, part time and volunteer employees. Interestingly, the full time equivalent for their volunteer workforce is of a similar size to each individual paid group. The rate of growth in paid employee numbers has been 2.9% annually since 2004. If we look at the broader non profit institutes group which includes many more volunteer sporting organisations, the combined paid and volunteer workforce is over 10% of New Zealand's total workforce. One of the trends in the western world is the peaking and more recently, slight drop in volunteer numbers as time pressures on people, levels of satisfaction and an ageing volunteer workforce combine to affect numbers. The value of volunteering can be underestimated but if we value it at the rate of equivalent paid employees, then its value is around \$3.5B annually, 30% more than that of philanthropy.

Innovation

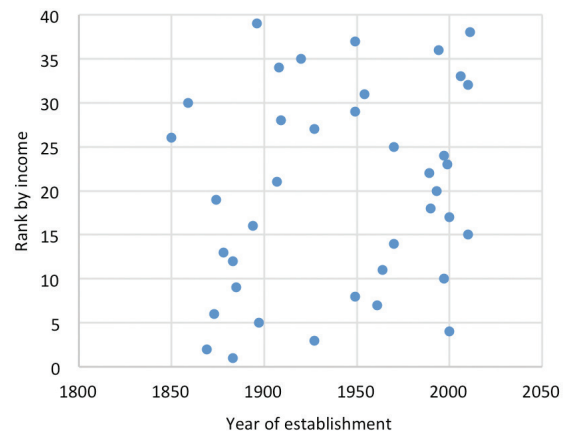
	1970	1980	1990	2000	2010
1	General Motors	Exxon Mobil	General Motors	General Electric	Exxon Mobil
2	Exxon Mobil	IBM	General Electric	Citigroup	Microsoft
3	IBM	General Motors	Ford Motor	SBC Communications	Wal-Mart Stores
4	Texaco	Mobil	IBM	Exxon Mobil	Procter & Gamble
5	Gulf Oil	ChevronTexaco	Exxon Mobil	Bank of America Corp.	IBM
6	Ford Motor	Texaco	Altria Group	Microsoft	Goldman Sachs Group
7	ChevronTexaco	Amoco	Dow Chemical	IBM	Merck
8	Mobil	General Electric	DuPont	DuPont	AT&T
9	Eastman Kodak	Gulf Oil	Texaco	Altria Group	Wells Fargo
10	DuPont	BP America	Atlantic Richfield	Intel	Johnson & Johnson
11	Amoco	Ford Motor	Mobil	Ford Motor	JP Morgan Chase & Co
12	Shell Oil	Atlantic Richfield	Coca-Cola	General Motors	General Electric
13	General Electric	Shell Oil	Amoco	Merck	Bristol-Myers Squibb
14	General Telephone & Elec	Eastman Kodak	Merck	Chase Manhattan Corp.	Chevron
15	ITT Industries	DuPont	Shell Oil	Wal-Mart Stores	Pfizer
16	Atlantic Richfield	ConocoPhillips	3M	American Intl. Group	Berkshire Hathaway
17	AT&T Technologies	Conoco	Procter & Gamble	Morgan Stanley	Hewlett-Packard
18	US Steel	Dow Chemical	Wyeth	Lucent Technologies	Coca-Cola
19	Procter & Gamble	Sunoco	Johnson & Johnson	Bell Atlantic	Google
20	Union Carbide	3M	Digital Equipment	Johnson & Johnson	Liberty Media

Rising industries, improved operations
 Consistent organisation adapting in changing environments
 Declining industries, poor adapting to circumstances

Source <http://money.cnn.com/magazines/fortune/>

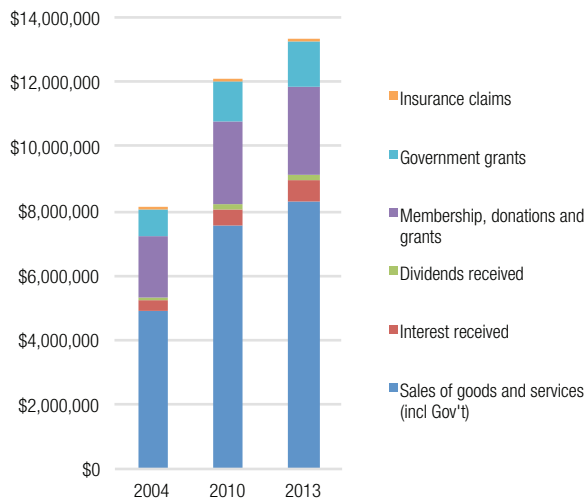
While innovation is a more subjective area, we chose to compare the changes seen in markets where capital is readily available for innovation with the changes seen in the not for profit sector where that luxury is not usually available. For the former we simply used movements in the US stock market top 20 companies (Dow Jones index) as a proxy for change, whether designed or brought on by market forces. The table shows those moving up and down the ladder and more significantly the large changes seen each decade.

Date of Establishment for largest 40 NZ Charities



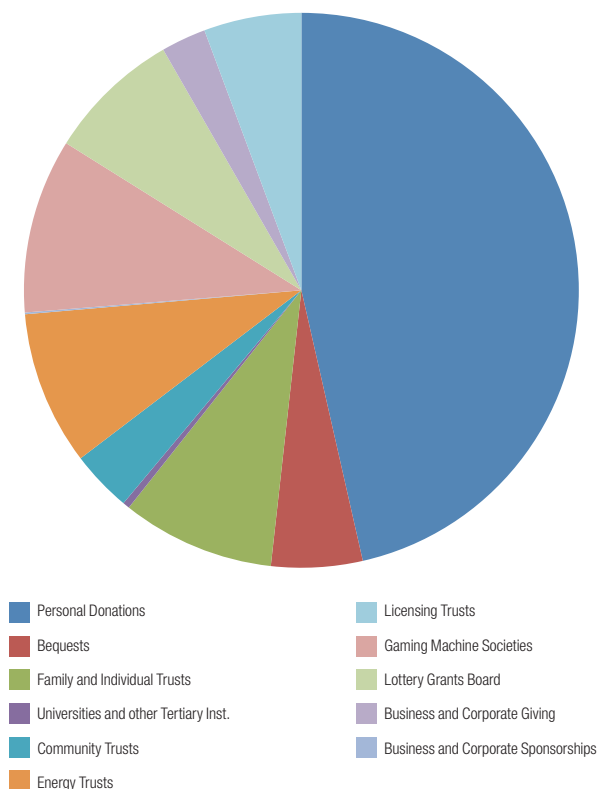
In trying to compare these listed company movements to those in the not for profit space, we looked at the date of establishment of the current top 40 charities by income in New Zealand. The average date of establishment was 1941 and almost 80% of organisations had been established for more than 20 years. We did a slightly different analysis in Australia, but came to the same conclusion. There we looked at an Industry Commission study from 1994 showing the the 50 largest community and social welfare organisations and compared it to a similar grouping from the 2014. While there were changes, predominantly with aged care organisations rising in prominence and now comprising nine of the top 20 places, there was little change elsewhere. For both countries, this is partly due to solid, well trusted organisations being in a dominant position to gain Government contracts and expand operations, but it is also due to the inability of new ideas to be well resourced and bring innovation to the sector.

Income sources for non profit institutions (\$000)



Income growth has been strong at 5.7% annually over the last decade and there have been significant changes to its mix. While sales of goods and services has dominated, when we separate Government contracts and add Government grants, we see total Government funding has grown at a faster rate of 7.4% over the same period, reflecting a greater reliance on more outsourced Government work. While good for volumes and growth, it generally doesn't come with a large built in profit margin. The share provided by donations and sponsorships has risen more slowly at 3.8% per annum over this period.

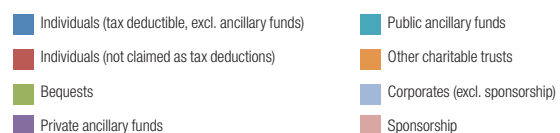
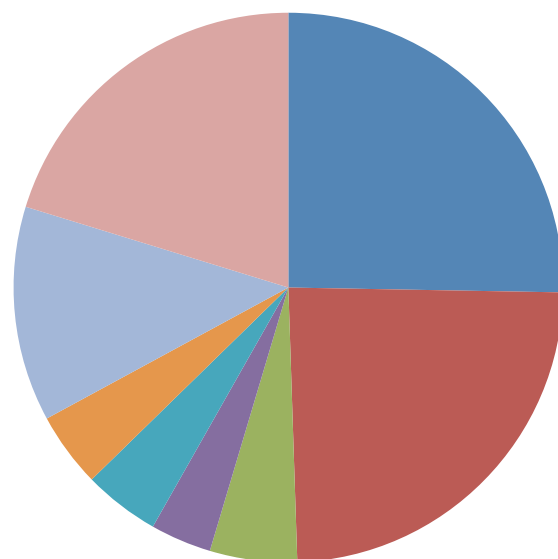
Sources of New Zealand Philanthropy



Source Giving New Zealand Philanthropic Funding 2014, Statistics New Zealand

The breakup of philanthropy in New Zealand sees most support coming from a large number of people giving smaller amounts of dollars. This mass market philanthropy also dominates in Australia and the USA. A very important and somewhat unique part of the pie comes from the statutory trusts including the energy, gaming and lottery sectors. Combined they represent around 30% of all philanthropic giving. If we add corporate sponsorships to this pie (mainly to sporting organisations), we still only see corporate support at around 10% of the total. While the combined statutory and corporate support is similar to that seen in Australia, it is all from corporates and they have seen that area rise faster than overall philanthropy over the last decade.

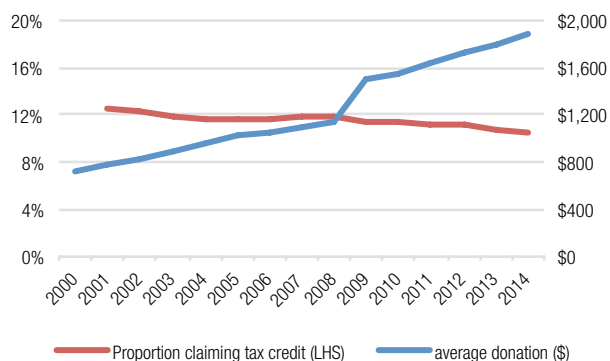
Breakup of Charitable Donation Sources in Australia



Source ATO, ABS, JBWere Philanthropic Services

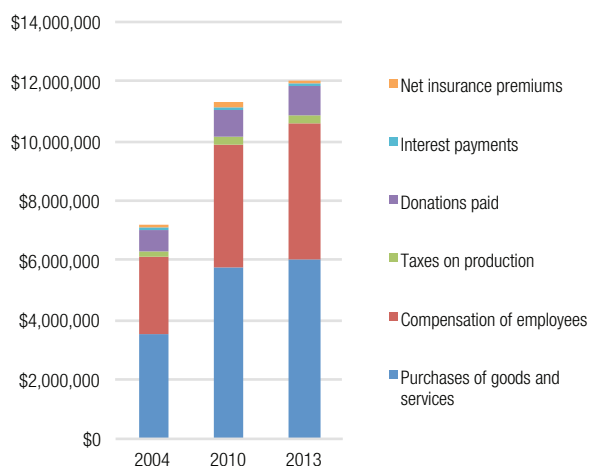
A similar pie chart for philanthropy in Australia looks remarkably similar to that seen in New Zealand. Individual, mass market philanthropy is the same as are bequests. Structured philanthropy is a little larger in Australia and is growing faster due to the introduction of the new giving vehicle, the Private Ancillary Fund, in 2001. They have built a corpus of around \$8B and currently distribute around \$400m per year, showing the value of new taxation initiatives for philanthropy.

Proportion claiming tax credit and \$ given



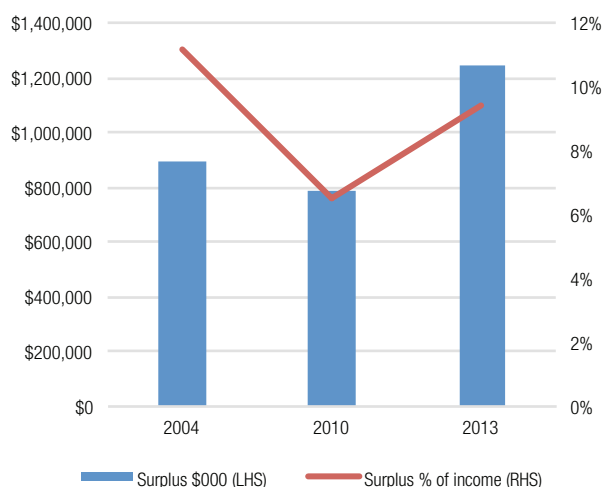
The problem with both the New Zealand and Australian philanthropy pies is the reliance and lack of growth in the mass market giving. The chart shows the change in both the proportion of people claiming a tax credit and the amount given since 2000. It is very encouraging that the amount given has risen strongly and was boosted by the lifting in the tax credit cap in 2009. Those who are donating are doing it well. The issue is the flat or even declining line of participation. While the axis numbers are different in Australia, the trends in both lines are identical. In fact the peak for participation in tax deductible giving in Australia was 1983. We have long advocated for a national campaign for philanthropy to attempt to raise overall donor participation levels.

Expenditure for non profit institutions (\$000)



Slightly exceeding income growth, expenditure growth has averaged 6.0% annually over the last decade. Of greater interest is that employee costs have consistently been around 40% of total sector costs. While this is lower than the other countries examined, it is the trend (or lack of trend), that is of interest. There is no doubt that the charity sector represents a more labour intensive range of operations than other sectors, but no change has been seen in this measure in a decade. With the potential for increased use of technology, a reduction in duplication between organisations (e.g. mergers or back office co-operation) and better use of volunteers, there may be room for either improved operational efficiency or some cost savings.

Annual non profit institutes surplus (\$000 and %)



When income and costs rise at a similar same rate over a decade, it is not surprising that the operating surplus of the sector has remained relatively flat. Whether this is a measure of a lack of pricing power or that of cost control will vary across sub sectors but in most cases it is a combination of each but more predominantly the former. Not for profits aren't rewarded for the social value they produce, they are reimbursed for their expenditure, hence the continually low profit margins experienced in the sector. Some newer forms of "payment by results" income are slowly being offered but these are still rare and small. The implications of continuing to operate on tight margins are that a store of capital isn't able to be built up for innovation or even adverse conditions. Indeed in tough economic times, when need is usually higher, often access to income is under most pressure. There also remains the underlying ethos that says we must spend all of our income on today's beneficiaries and while understandable, it ignores preparing to better support future beneficiaries. Not for profits can and should make a profit.

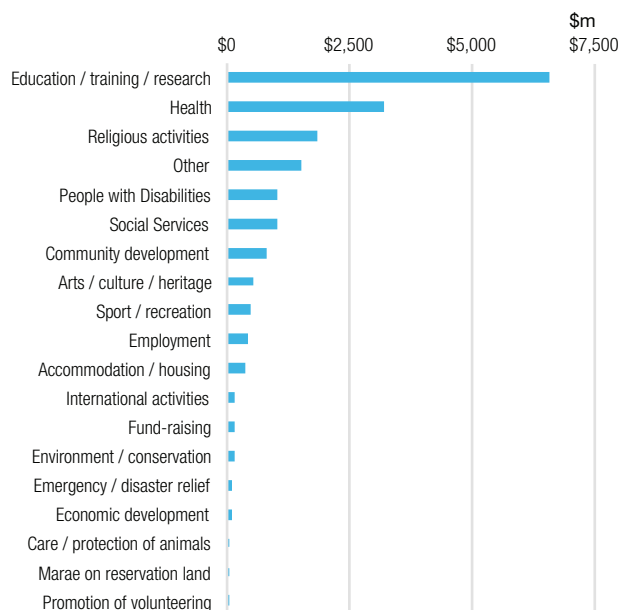
Comparing different not for profit sectors

Although every not for profit organisation is driven by a mission and is trying to maximise their social return on investment to achieve the greatest impact, the size of the investment they make is largely determined by the choices of funders. Both Government and philanthropy can choose between supporting various sectors and then organisations within those sectors. Even applying resources within organisations offers some choice and groups have changed their cause area after re-examining how best to achieve their mission.

With the wide range of causes able to be supported, it is worthwhile understanding the relativities between each area in terms of size and breakup of funding, staffing and volunteering, financial surplus and assets. This can be useful in a variety of ways from helping donors look for areas they feel are underfunded or overlooked, to helping organisations to understand their sectors relative to others in discussing priorities for Government funding. What it can't do is rank the impact of different causes. The seemingly simple but incredibly complex and subjective question of how many art galleries equals a hospital is one we will leave to a future paper. Suffice to say that the world of quantifying and comparing social returns across causes has made much progress in recent years.

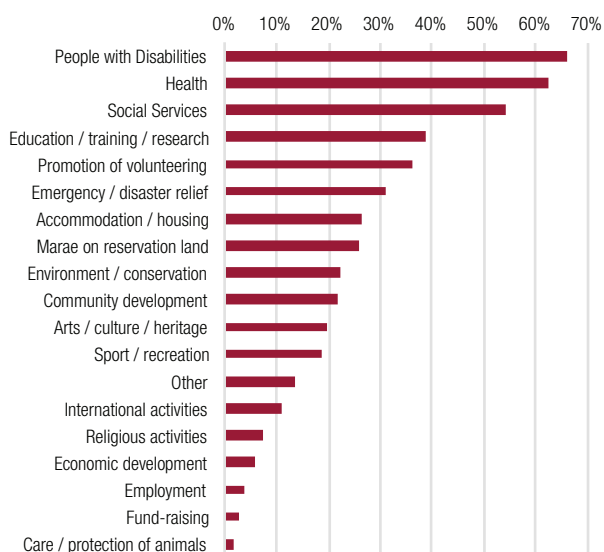
The following charts and comments refer to data from the most recent returns from charitable organisations to Charities Services. This means it doesn't include some organisations such as Government controlled public hospitals and schools and some larger sporting organisations that may be not for profit but aren't charitable. However, it does include Universities which are charities but are not included in the Statistics New Zealand data due to their relationship to Government.

Income



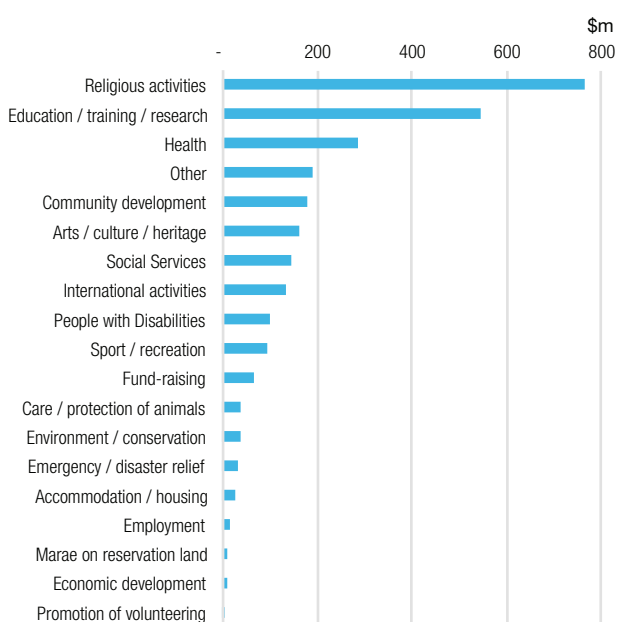
As reflected within most individual cause areas, there is a high concentration of income within the sector sitting with the largest organisations. Overall we see 89% of sector income within the top 11% of organisations. This also means that education and health dominate overall income levels even before adding the Government controlled hospitals and schools. With these included, it would add around \$10B to education and \$15B to health pushing that sector into top position. Additionally, sport and recreation would be substantially larger (by a factor of four) if non charity, NPIs were included. Of the other sectors, arts, culture and heritage is well above, international activities, environment and conservation, emergency and disaster relief and care and protection of animals.

Government grants as a share of total income



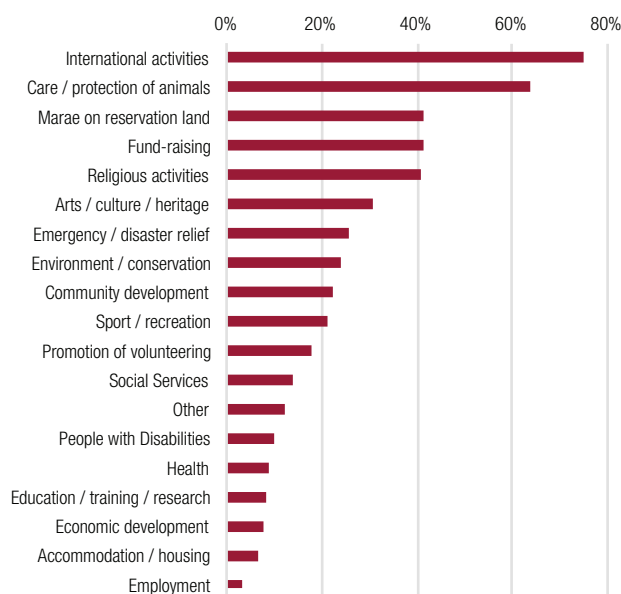
The share of that income coming from Government varies dramatically across the sectors. The average for all organisations was around 36% when you combine both grants and contracts. As expected, health, welfare, and education are among the sectors proportionally supported most by Government. If we include Government controlled schools, that support jumps from 39% to around 75% and for hospitals it jumps to an even greater share. Those sectors significantly below the average include international activities plus other sectors such as religion and fund raising which wouldn't be expected to be significantly funded by Government. Interestingly, care and protection of animals saw the least level of Government support.

Donations and bequests income



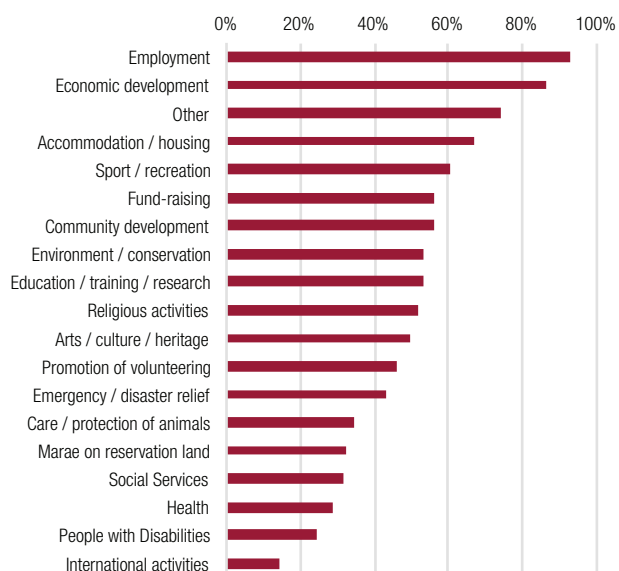
We have shown both the absolute level of donations and the proportion they are of income for each of the cause areas. As in the Australia and the USA, donations to religion (basic religious charities, generally not including welfare groups run by religious organisations, unless they self selected this category) represent the largest single cause area, despite different tax deductible or credit treatments across countries. Education and health are the next largest causes with arts, culture and heritage plus social services both ahead of international activities. The lower numbers for sport are more reflective of the smaller proportion of those organisations qualifying as charities. These donations to charity include both donations from individuals and from other sources such as the statutory trusts. Surveys conducted for individual giving (Nielsen's Consumer & Media Insights Survey) also showed religion at the top of the list but showed sport larger (due to non charity giving) and international activities similarly only mid ranking. This is in contrast with Australia where international aid sits well above all causes except religion. Depending on both the economic climate, natural disaster occurrences and the concentrated appeal campaigns sometimes conducted by larger groups (such as Universities), there can be some large changes in individual years.

Donations and bequests as a share of total income



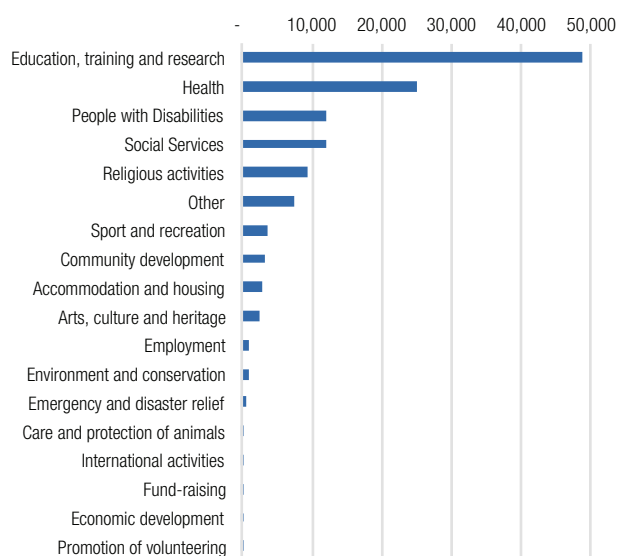
While the absolute levels of philanthropy are interesting, the level of reliance on it as an income source, is perhaps more useful for individual cause areas. Although the overall sector average for philanthropy is around 15% of income, this is heavily influenced by some of the financially larger sectors in the health and education space. When we look at International activities, care and protection of animals and religion it becomes a major, or even dominant source of their income. Other areas see substantial movements in philanthropy depending on particular events with emergency relief a strong example during times of natural disasters. Arts, culture and heritage enjoy philanthropic support almost double that of overall averages.

Earned Income as a share of total income



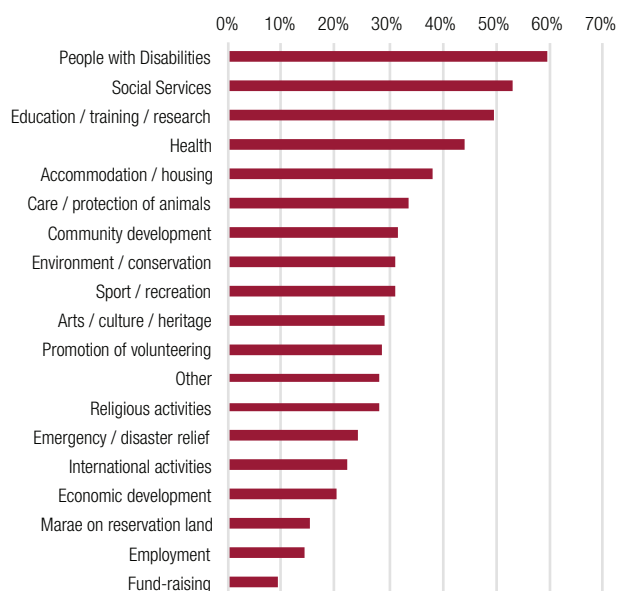
Many casual observers of the not for profit sector assume either Government or philanthropy pay for everything. The truth and the future of the sector is far from that. Self earned income remains the largest source of funding for the sector representing around half of total income and only 6 of our 19 cause areas receive under 40% of their income from self generated sources. The types of income vary widely and includes membership dues, school tuition fees, ticket sales to events (eg sport and arts), fees for services to nongovernment clients, trading activities, interest and dividends on investments and rental income. Much of the broader interest in how to generate more impact is now focusing on how to operate a profitable business activity that will also generate the social returns which can enhance mission. The terms social enterprise and impact investing are currently used to define some of this activity, but a private school which was built using a combination of commercial and subsidised loans, philanthropy and government grants plus volunteering and now receives 70% of its income from school tuition fees was an impact investment 50 years ago during construction, although possibly not thought of that way. The challenge now for organisations is to find the next activity which will prove both financially viable and mission enhancing. While all cause areas should be exploring these opportunities, some that currently see low levels of self earned income, such as international activities, may need to investigate this with more urgency if they see threats to their currently dominant income sources.

Employees (FTE)



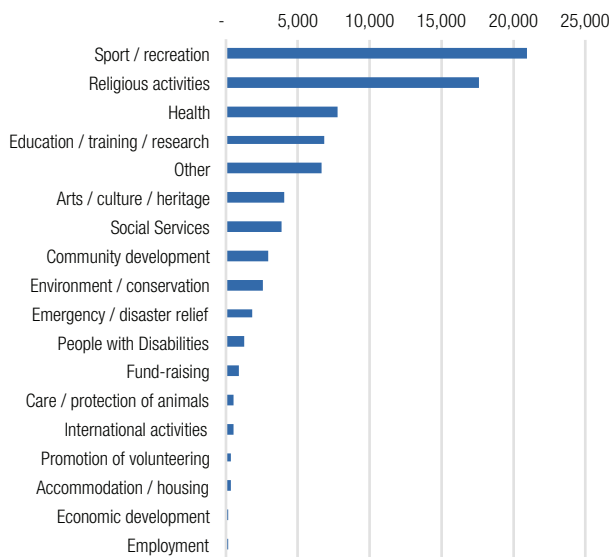
As expected, education and health dominate staffing in the not for profit sector with both even more so if Government organisations were included. They also tend to be some of the sectors that have the lowest ratios of volunteering to paid staff. Across the sector there is a wide range of employment arrangements with an almost equal mix of full time and part time positions.

Employee costs as a percentage of total costs



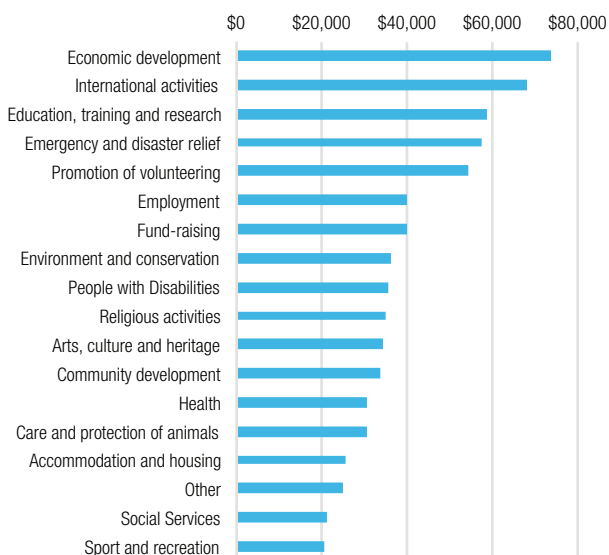
Overall employee costs are the largest single component in not for profit expenses representing around 38% of total costs for non profit institutes and 42% for charities (including Universities). This proportion that hasn't moved in the last decade. There are a few sectors where volunteering is high such as emergency relief, sports, religion and fund raising which keep employee costs proportionally lower and some of the more people intensive areas such as social services and people with disabilities where these costs are higher.

Volunteers (FTE)



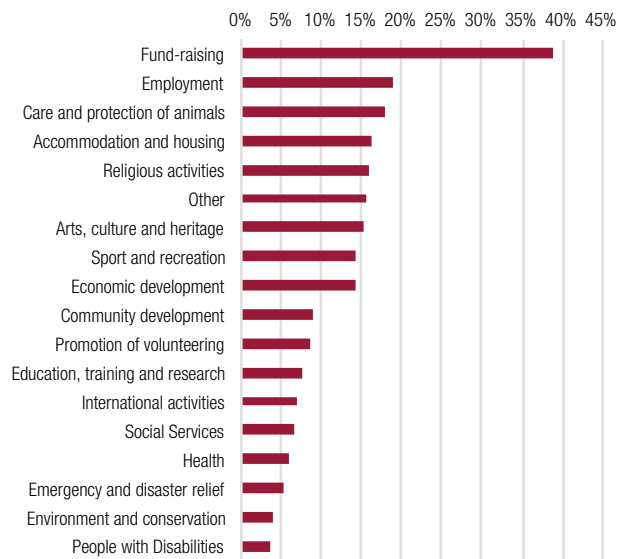
The use of volunteering is strong in New Zealand particularly in the sport and recreation area and especially when compared to paid employee numbers. If non charities were also included, the contribution would be even larger. Religion also attracts a significant volunteer support base. Although the number of volunteers are large in health and education and social services, they are significantly smaller than the paid workforce. Overall volunteers make up around one third of the total workforce and present a significant cost saving to organisations plus more importantly they provide a team of dedicated, connected and passionate supporters who are generally more likely to also financially support the organisations they volunteer with.

Average annual wages



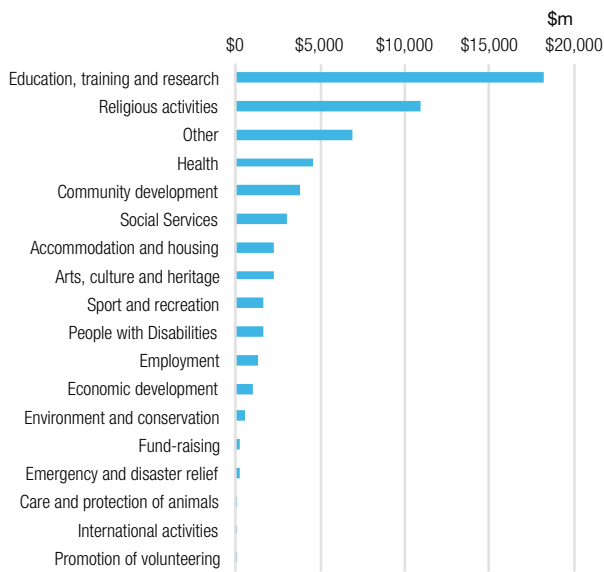
The average wage across the sector and across employment types is just under \$41,000 per annum which compares to the average wage in New Zealand of around \$59,000. While this partly reflects a high non full time cohort, it is more reflective of the perceived lower skill level of job types. It is also partly due to many sectors being able to attract employees because of the cause they are supporting rather than the remuneration they are providing. In a way, this is reflective of the broader sector issues where organisations (and employees) are only reimbursed for activities, rather than rewarded for their skills and social returns achieved. Not surprisingly, the higher average salaries are in sectors such as economic development and higher education or where there are only a small number of employees with the majority at senior levels.

Operational surplus



The overall surplus for not for profit institutions covered by Statistics New Zealand was 9% in 2013, little changed over the last decade. When we look at the individual sector margins in the charity returns to Charity Services, we see around the same level, 10%. This varies significantly across cause areas and as it is a single year measure, is subject to the timing of grants or fundraising versus expenditure, particularly for smaller, time related areas such as emergency relief. Some of the higher margin sectors are those where fund raising is a large proportion of income, although this doesn't occur in international activities where margins are well below the average.

Assets



As with income, assets are concentrated in the sector (the 85/15 rule) with education and religion dominating. This is even more so if Government controlled organisations were included. Another sector under represented in this list is sports due to non charity organisations. With 45% of the overall sector assets represented by land and buildings, questions around both its usefulness in achieving mission and the depreciation costs should always be considered by organisations.

Income compared to net assets



An interesting comparison is to examine sectors income compared to their assets. Most organisations within individual sectors show a strong relationship across income and assets but the relationship between sectors varies considerably. Each of the individual sector relationships is seen in later sections of the report, showing each organisations assets versus income within a particular cause. Relative to income, asset rich sectors are economic development, religion, accommodation and housing and arts, culture and heritage. Those relatively asset poor (compared to income) are international aid, people with disabilities and health.

Predictions for the future of the sector

We saw in earlier sections of the report the large growth in almost every measure for the sector over the last decade and many of the significant changes. The temptation then is to just ‘fill right’ on the excel sheet into the future. This can’t and won’t happen as the trend in the current mix of sector funding is unsustainable. This final section of the first part of the report looks at some trends we feel will need to emerge to ensure the sector is able to continue to increase its impact.

Finding new ways of operating

Although the pace of change in income, expenditure and organisation numbers has been big, the growth in innovation, radical ideas and collaborative partnerships hasn’t yet reached this level. New operating methods and delivery models, greater and more imaginative use of IT, better ability to inform others of both success and particularly failure, to allow quicker and wider knowledge sharing are all examples of the potential to alter the status quo. This is now beginning to change either because circumstances demand it or in some cases led by a proactive decision to think differently. A greater increase in creative disruption in the sector would be valuable.

Unlocking risk capital

To achieve some of these changes, funders also need to recognise the value of failure along the way to improving impact. Access to risk capital is slowly improving but greater knowledge around the potential uses of the good levels of philanthropy including the pool of philanthropic capital in trusts and foundations, could be dramatically improved. Another source of risk capital can also begin to come from organisations themselves, but only after they either improve margins or redeploy assets, particularly excess property and in some cases endowments and investments.

Using measurement

A greater focus on measurement during the steps along an organisation’s “theory of change” journey will help that change occur through both improving their operations and then as importantly, allowing them to better value the improvement they’ve created and argue for appropriate financial reward from funders or beneficiaries. There is an increasing body of work around this area, particularly from Europe and the UK that could be more utilised in New Zealand.

Coping with increased transparency

The level of transparency for the sector has increased enormously in a very short time period. The New Zealand Cause Report itself is a good example of the type of information that can be gained and how organisations, sub-sectors and the full cohort of NFPs can now be benchmarked. This can be either an opportunity or a threat for individual groups and the first movers to embrace that light will win support. Relations with media will become more important for all, but particularly for organisation heads and sector leaders to drive and inform the conversation.

Easier NFP comparisons

The concentration of sector income (89% is controlled by the top 11%) and assets (85/15) that we currently see, driven as much by incumbency as success, might start to be influenced by comparison as better, more accessible data is available across the sector. Even more importantly, this transparency and ease of comparison should be seen as a welcome way for the sector to better highlight the breadth, depth and importance of its role.

Growing self-earned income

The reliance on an increasing proportion of funding from Government is hazardous and generally doesn’t help margins and philanthropy is unlikely to grow substantially and is better used for purposes other than scaling up. This means that self-earned income needs to be a growing focus for most organisations. The blurring of the line between for profit and NFP will continue. While some will have philosophical debates, there is little doubt that economic growth (along with technology) has been the greatest driver of rising living standards and poverty alleviation, particularly in developing nations with microcredit a leading example. Business with a mission focus needs to be a large part of the future of the sector.

Reimagining properties worth

We have seen some re-examination of the role of property amongst sector assets. Will Universities in 25 years need highly valuable sandstone campuses, or will the cream of the academic world be available to all online? The emergence of massive open online courses (MOOCs) has not only increased the potential scale of impact able to be provided, but it could spark the start of an equally dramatic change in asset requirements for that sector.

Sharing property

The ability to share premises with the added benefit of better sharing of knowledge as well, opens further potential for gains. The value of land and buildings in charity balance sheets has grown to over \$25Billion, with better use of technology and increased collaboration, this trend might be slowed and some assets redeployed to more impact enhancing activities.

Aligning endowments and investments with social mission

The value of endowments and investments (excluding cash) has also grown to almost \$20Billion. We see an accelerating trend in ensuring this is being managed in line with the organisations ethics and with an increased governance framework.

Mergers and acquisitions

We and others have discussed the rapid increase in organisation numbers. While there is unlikely to be any requirement for individual groups to close or merge, the financial incentives of doing so are being recognised and with more success stories being told, the current trickle is likely to grow, even at the very large end of the sector. As these benefits are seen, related sector organisations will see the benefits and understand the risks and pitfalls giving them more confidence to act.

Better corporate partnerships

The growth in shared value discussions and analysis inside for profit organisations will naturally lead to more meaningful relationships with NFP organisations. This will start to see corporate support both grow and shift from largely sponsorship to partnership. To overcome the potential power imbalance, NFPs need to better value the knowledge they bring to the relationship and develop an understanding of how they are helping the for profit, while also enhancing their own mission.

Improving volunteering

A part of this corporate relationship but part of a much bigger issue for NFPs, is the use of skilled volunteering. Knowledge gained in this area, could help them improve their overall offering to volunteers and could assist with the real issue of attracting the next generation of supporters as the current volunteer workforce ages. This is as true for their Boards (volunteers also) as it is for their much larger teams and may result in having a potentially smaller but more engaged and mutually useful volunteer workforce. Given the heavy reliance of the New Zealand sector on volunteering, this will be one of the more critical issues going forward.

Growing philanthropy

Finally, philanthropy. The first issue is recognising where the growth is and preparing organisations to benefit. The second issue is using this precious source of income in the best way. Each charity sector relies to a different extent on philanthropy and each has a different share of the various pieces of the philanthropic pie. Some of those pieces are growing faster than others. This presents three challenges for charities, recognize which areas are growing in New Zealand and ensure you have the skills to gain support, assist a broader discussion to improve those that aren't growing and then use the philanthropic dollar well. If we are going to improve the level of individual giving we need to improve public understanding, trust and support for the sector. The collaboration of the Canadian Centre for Philanthropy and the Coalition of National Voluntary Organisations to form Imagine Canada in 2005 provided a catalyst for change in the broad discussion and support for charities in that country. Combined with that, there should be more recognition that the philanthropic dollar is more valuable and different to the Government or self-earned dollar. A greater promotion of its value as potential risk capital or its ability to do things that other dollars can't, can further highlight its worth and convince the public of its value.

An analysis of individual charity sectors

In this second part of The New Zealand Cause Report, we use data from Charity Services collected from returns by charitable organisations to their Charities Register. While the organisations comprising the data sets from Statistics New Zealand and Charity Services aren't identical, there is significant overlap. More detail on this relationship is covered in an earlier section of the report, "What is the not for profit sector and where does it fit into New Zealand society?"

There are 11 groups we have covered (excluding business, professional associations and unions) with the Statistics New Zealand analysis and included within those 11 groups there are 18 subsectors where Charities Services data provides an insight for each subsector and the charities comprising it. We have included the smaller "Marae on reservation land" category within the broader "Community development" category. For each subsector we detail:

- type of activities undertaken by those organisations and Statistics New Zealand examples;
- profit and loss statement;
- a broad commentary on the sector including a comparison to the equivalent Australian sector
- balance sheet;
- staffing;
- details of the top ten organisations by income;
- an analysis of surplus versus income and;
- an analysis of assets versus income for organisations within the sector

In both sets of data, the International Classification of Non-Profit Organisations (ICNPO) system has been used to define in which group and subsector they sit. It is fundamentally an activity classification system, although some purpose criteria have been included where activities are similar. The complete ICNPO is described before each of the subsectors. The New Zealand examples quoted are from the Statistics New Zealand's Classifying Non-Profit Institutions, June 2006 and may not always be consistent with the self selected "main sector" choice made by charities reporting to Charities Services. There are also a few areas where Charities Services have further defined a cause area which is included among the existing broader INCPO area (eg People with Disabilities is a part of the ICNPO's Social Services area).

Arts, culture and heritage

ICNPO 1 100 – Culture and arts

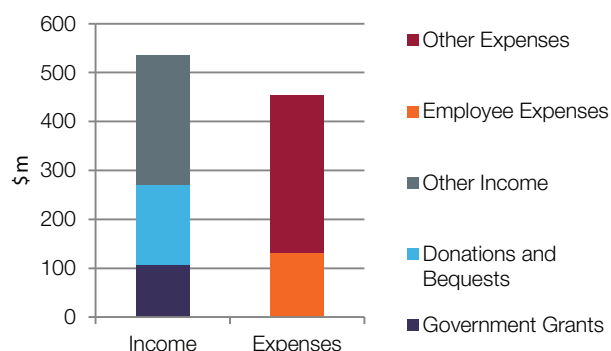
- **Media and communications** - Production and dissemination of information and communication; includes radio and TV stations; publishing of books, journals, newspapers and newsletters; film production; and libraries.
- **Visual arts, architecture and ceramic art** - Production, dissemination and display of visual arts and architecture; includes sculpture, photographic societies, painting, drawing, design centres and architectural associations.
- **Performing arts** - Performing arts centres, companies and associations; includes theatre, dance, ballet, opera, orchestras, choirs and music ensembles.
- **Historical, literary, heritage and humanistic societies** - Promotion and appreciation of the humanities, preservation of historical and cultural artifacts and commemoration of historical events; includes historical societies, poetry and literary societies, language associations, reading promotion, war memorials and commemorative funds and associations.
- **Museums** - General and specialised museums covering art, history, sciences, technology and culture.
- **Zoos and aquariums.**

New Zealand examples (ICNPO) - Toy libraries, orchestras, historical societies, performing arts centres, poetry and literary societies, museums.

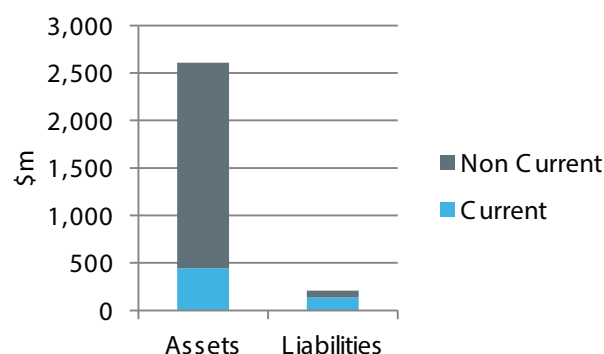
The Arts, culture and heritage sector enjoys a strong annual surplus of 15% due to several factors. They are one of the higher sectors in terms of reliance on philanthropy in their income mix at over 30% of income, more than double the overall charity sector. They enjoy good volunteer support which more than doubles their workforce on a FTE basis and allows their employee expenses as a proportion of total expenses to sit well below the charity sector average. In addition, they have a very strong balance sheet and compared to income levels are one of the more asset rich sectors. Unlike most other sectors, there is not a strong relationship between income and either surplus or assets. The number of charities has grown strongly since 2000, up almost 25%, double the rate of overall charity numbers.

In comparing the New Zealand and Australian sectors we see similar good profit margins and a rich asset base. However New Zealand enjoys greater philanthropic support as a proportion of income, even though over the last 20 years Australia has moved from 8% to 14%, offsetting a fall in Government grants.

Profit and loss – Arts, culture and heritage



Balance sheet – Arts, culture and heritage



Staffing – Arts, culture and heritage

	Number
Full time	1,637
Part Time	2,306
Volunteers (FTE)	4,068

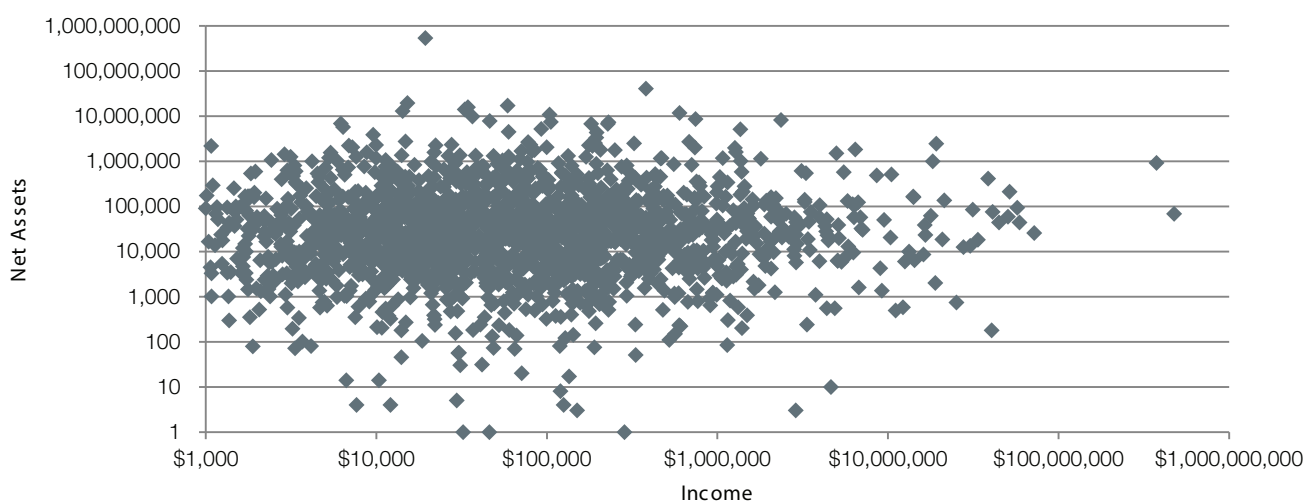
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Auckland Museum Trust Board	\$42	0%	7%	93%	\$213	300
New Zealand Festival	\$22	0%	23%	77%	\$1	9
The New Zealand Maori Arts and Crafts Institute	\$21	0%	2%	98%	\$40	136
Waterfront Theatre Limited	\$16	49%	32%	19%	\$26	-
The Arts Centre of Christchurch Trust Board	\$15	0%	0%	100%	\$382	38
Museum Of Transport And Technology	\$15	0%	6%	94%	\$63	108
Canterbury Museum Trust Board	\$13	0%	81%	19%	\$82	56
Wellington Museums Trust Incorporated	\$13	67%	2%	31%	\$8	123
The Royal New Zealand Ballet	\$12	38%	0%	62%	\$1	66
Auckland Philharmonia Trust	\$11	26%	7%	67%	\$6	36

Individual organisation positioning

Income vs Surplus – Arts, culture and heritage



Income vs Net Assets – Arts, culture and heritage



Sport and recreation

ICNPO 1 200 – Sports

- **Provision of amateur sport, training, physical fitness and sport competition services and events** – includes fitness and wellness centres.

New Zealand examples (ICNPO) - Sports clubs such as bowling, rugby and skiing clubs, swimming pools, racing clubs.

ICNPO 1 300 – Other Recreation and social clubs

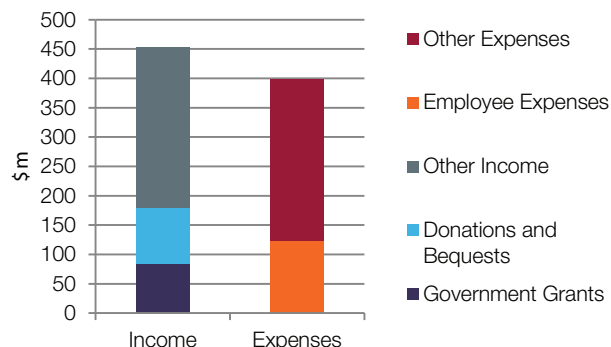
- **Recreation and social clubs** - Provision of recreational facilities and services to individuals and communities; includes playground associations, country clubs, men’s and women’s clubs and leisure clubs
- **Service clubs** - Membership organisations providing services to members and local communities.

New Zealand examples (ICNPO) - Country clubs, Lions and Rotary clubs, social clubs, returned services associations, other recreational clubs and associations.

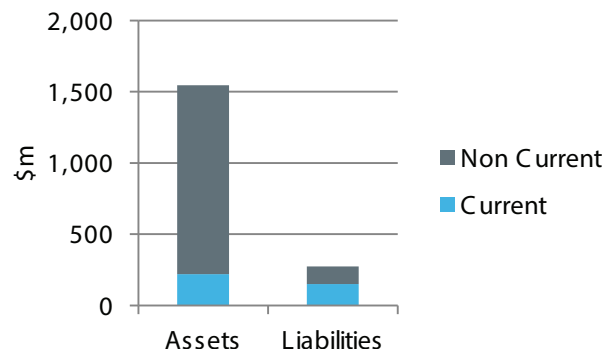
Despite the importance and level of participation in sport and recreation in New Zealand, the proportion of organisations that are registered charities is relatively small compared to the number listed as non profit institutes by Statistics New Zealand. Of the almost 43,000 organisations listed as NPIs, less than 5% are charities, although that number has grown by almost 40% since 2010. As with the Arts, culture and heritage sector, profit margins are good, and reliance on philanthropy is higher than the overall charity sector. There is also a strong balance sheet in a relatively asset rich sector. Volunteering is very important in this sector with it accounting for around a quarter of all volunteers across the whole charity sector. There is a good relationship between income and assets.

Comparing the New Zealand and Australian sectors is difficult due to the relatively small proportion of sporting and recreation organisations that qualify as charities in both countries. This is an even greater restriction in Australia so we see more sporting and recreation charities in New Zealand with greater income and assets than in Australia. Despite this the level of surplus, asset strength and reliance on volunteers is similar across the two countries.

Profit and loss – Sport and recreation



Balance sheet – Sport and recreation



Staffing – Sport and recreation

	Number
Full time	1,807
Part Time	3,352
Volunteers (FTE)	20,995

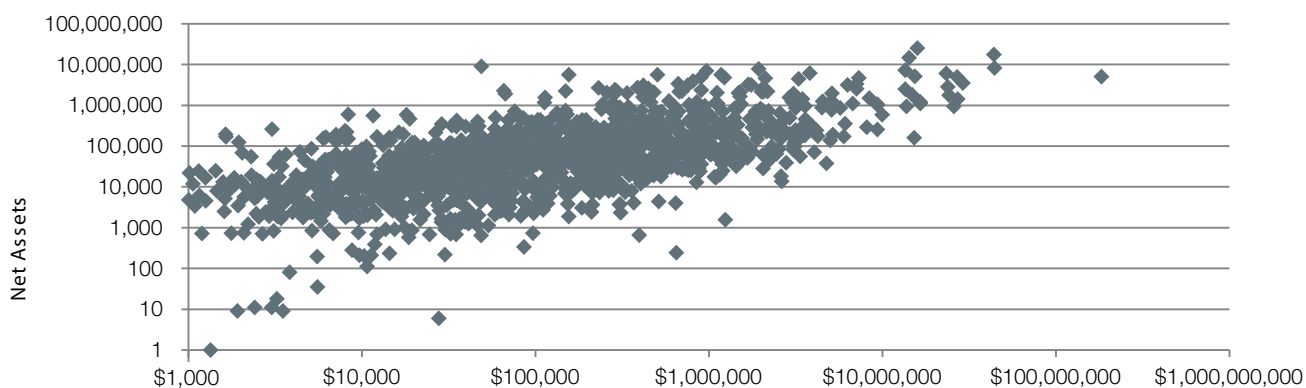
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Young Men's Christian Association Of Auckland Incorporated	\$26	0%	14%	86%	\$20	583
Second Nature Charitable Trust	\$21	0%	84%	16%	\$71	18
The Wellington Regional Stadium Trust Incorporated	\$16	0%	0%	100%	\$96	24
Hutt City Community Facilities Trust	\$15	87%	0%	13%	\$19	2
Auckland Sport	\$10	0%	95%	5%	\$5	19
Cornwall Park Trust	\$9	0%	0%	100%	\$258	21
Tennis Auckland Region Incorporated	\$8	0%	3%	97%	\$16	14
Southland Indoor Leisure Centre Charitable Trust	\$8	0%	46%	54%	\$52	-
Millennium Institute of Sport and Health	\$7	0%	9%	91%	\$2	140
Sport Northland	\$6	0%	0%	100%	\$26	80

Individual organisation positioning

Income vs Surplus – Sport and recreation



Income vs Net Assets – Sport and recreation



Education, training and research

ICNPO 2 110 – Early childhood education

- **Organisations with a focus on providing early childhood education** (excludes child-minding services).

New Zealand examples (ICNPO) - Playcentre associations, kindergarten associations, community preschools, kohanga reo.

ICNPO 2 120 – Primary and secondary education

- **School education at primary and secondary levels.**

New Zealand examples (ICNPO) - Christian school associations, Montessori education trusts, other private primary and secondary schools.

ICNPO 2 200 – Tertiary education

- **Higher education** - Higher learning, providing academic degrees. Includes, business management schools, law and medical schools. Universities, while included in the ICNPO, are Crown reporting entities and specific examination confirms that in New Zealand they are not actually sufficiently separate from government control to be in-scope for the NPI satellite account. However they are registered charities and do report to Charities Services and are included in the data below.

New Zealand examples (ICNPO) - NZ College of Physiotherapy Inc., Royal Australian and NZ College of Radiologists.

ICNPO 2 300 – Other education

- **Vocational and technical schools** – Technical and vocational training specifically geared towards gaining employment; includes trade schools, paralegal training and secretarial schools.
- **Adult/continuing education** - Institutions engaged in providing education and training in addition to the formal education system; includes schools in continuing studies, correspondence schools, night schools and sponsored literacy and reading programs.

New Zealand examples (ICNPO) - English for Speakers of Other Languages (ESOL), Hearing Association, Specific Learning Disabilities Federation (SPELD NZ), Rural Education Activities Programme (REAP), industry training organisations.

ICNPO 2 400 – Research

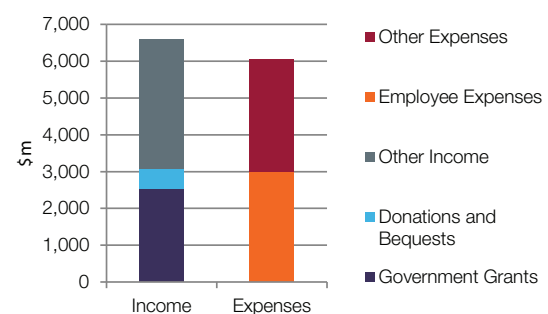
- **Medical research** – Research in the medical field; includes research on specific diseases, disorders or medical disciplines.
- **Science and technology** – Research in the physical and life sciences and engineering and technology.
- **Social sciences, policy studies** – Research and analysis in the social sciences and policy area.

New Zealand examples (ICNPO) - Medical research foundations, cancer research trusts, farming research trusts, NZ Leather and Shoe Research Association, NZ Institute of Economic Research.

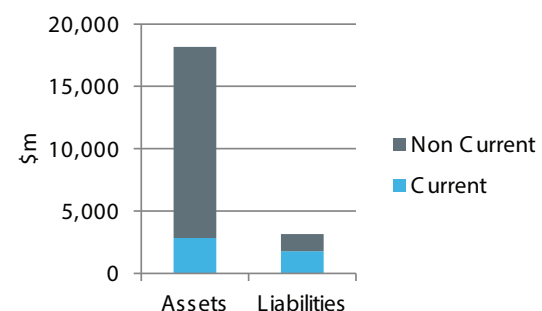
This is the largest charity sector in New Zealand when ranked by income, assets or employees. It is dominated by the Universities. When comparing the Statistics New Zealand data, the significant difference is that it does not include the Universities due to the degree of Government control. Neither set of data includes Government controlled primary and secondary schools. Profit margins are mid range for the charity sector and while donations and bequests are high in absolute terms, they only represent 6% of income and are also prevalent in medical research areas. There is a large, mainly property based asset base with relatively low liabilities. Employee costs are the highest proportion of total costs among all charity sectors with average wages third highest, as expected given the sector. The use of volunteers is very low compared to paid staff and relative to other charity sectors.

While Australian data allows a breakdown between the sub-sectors, given the dominance of Universities, we can still see still many similarities in margins, balance sheet strength and composition. Wages both in absolute terms and as a proportion of costs are higher in Australia.

Profit and loss – Education, training and research



Balance sheet – Education, training and research



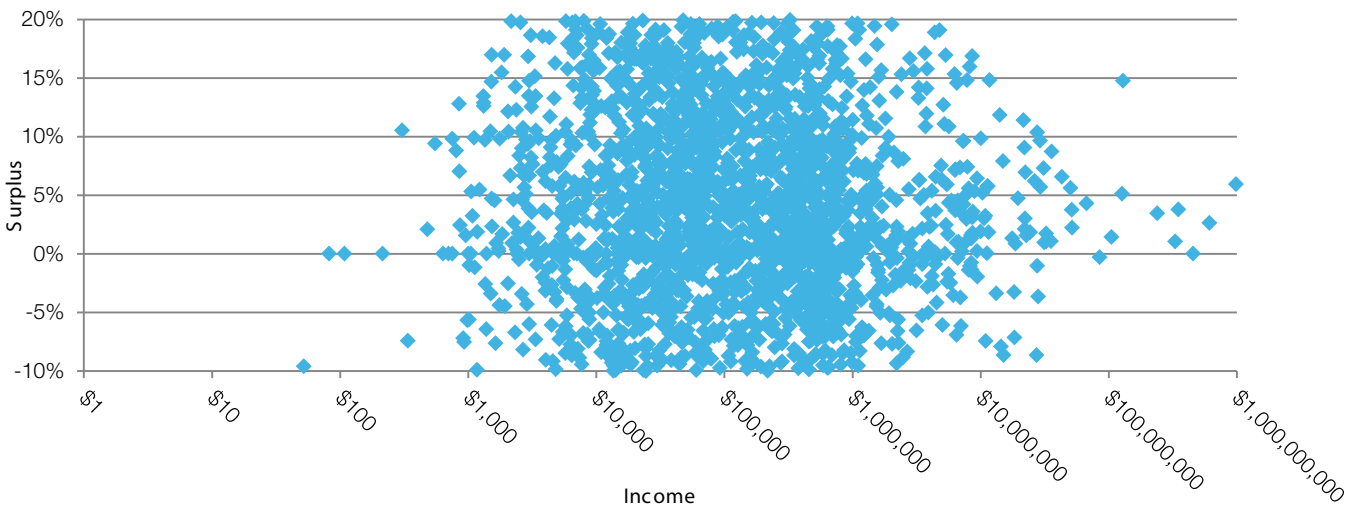
Staffing – Education, training and research

	Number
Full time	32,358
Part Time	21,462
Volunteers (FTE)	6,859

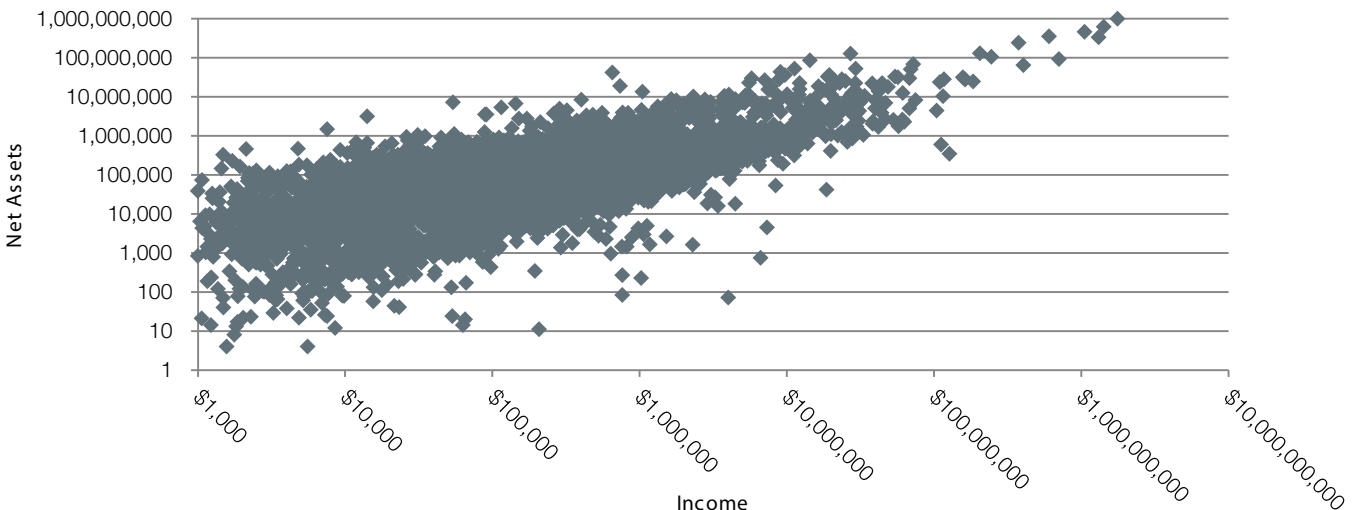
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
The University of Auckland	\$982	42%	1%	56%	\$2,170	6,157
University of Otago	\$633	44%	0%	56%	\$1,624	6,131
Massey University	\$455	41%	0%	59%	\$1,238	3,560
Victoria University of Wellington	\$366	45%	0%	55%	\$804	5,983
University of Canterbury	\$331	48%	0%	52%	\$1,479	1,957
University Of Waikato	\$239	43%	0%	57%	\$465	2,373
Lincoln University	\$129	30%	0%	70%	\$244	747
Auckland UniServices Limited	\$127	42%	0%	58%	\$95	556
Manukau Institute of Technology	\$105	53%	0%	47%	\$312	808
Dilworth Trust Board	\$90	1%	0%	98%	\$710	206

Individual organisation positioning

Income vs Surplus – Education, training and research



Income vs Net Assets – Education, training and research



Health

ICNPO 3 100 – Hospitals and rehabilitation

- **Hospitals** - Primarily inpatient medical care and treatment.
- **Rehabilitation** - Inpatient healthcare including physiotherapy and other rehabilitative therapy for those suffering from injury, genetic defect or disease and requiring extensive physiotherapy or similar forms of care.

New Zealand examples (ICNPO) - Chelsea private hospital, other private hospital trusts.

ICNPO 3 200 – Nursing homes

- **Nursing homes** - In-patient convalescent care and residential care, as well as primary health care services; includes homes for the frail elderly, nursing homes for the severely disabled and hospice services.

New Zealand examples (ICNPO) - Hospice trusts, Palliative Care Society.

ICNPO 3 300 – Mental health and crisis intervention

- **Psychiatric hospitals** – Inpatient care and treatment for the mentally ill.
- **Mental health treatment** – Outpatient treatment for mentally ill patients; includes community mental health centres and halfway homes.
- **Crisis intervention** – Outpatient services and counsel in acute mental health situations; includes suicide prevention and support to victims of assault and abuse.

New Zealand examples (ICNPO) - Ashburn Clinic, mental health support trusts, Mental Health Foundation, Like Minds.

ICNPO 3 400 – Other health services

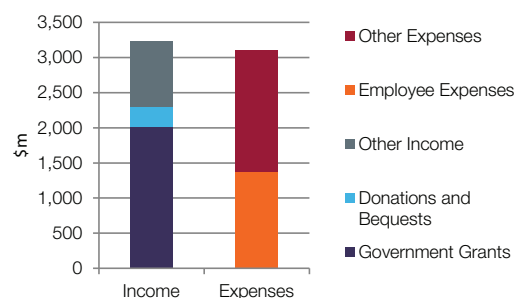
- **Public health and wellness education** – Public health promotion and health education; includes sanitation screening for potential health hazards, first aid training and services and family planning services.
- **Health treatment, primarily outpatient** – Organisations that provide primarily outpatient health services, e.g., health clinics and vaccination centres.
- **Rehabilitative medical services** – Outpatient therapeutic care; includes nature cure centres, yoga clinics and physical therapy centres.
- **Emergency medical services** – Services to persons in need of immediate care; includes ambulatory services and paramedical emergency care, shock/trauma programs, lifeline programs and ambulance services.

New Zealand examples (ICNPO) - Medical trusts, marae health centres, The Order of Saint John Ambulance services, air rescue trusts, Royal NZ Plunket Society, National Heart Foundation.

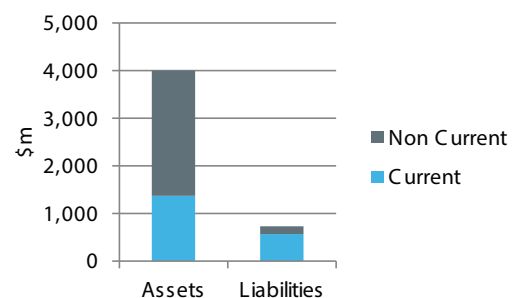
The degree of Government control means most hospitals are not included in either ICNPO or charity data. In addition there will be a number of facilities in the nursing home/aged care sector that operate as for profit organisations. Despite that, it is still the second largest sector in terms of income and employee numbers. It is the third largest sector for volunteering, but falls to fourth in assets. There is also a low asset base when compared to income putting the health sector third lowest on this relative measure. Profit margins are tight with income comprising a high proportion of Government grants. Donations and bequests are reasonable at 12% of total income, in line with the overall charity sector. While employee costs are also in line with sector averages as a proportion of total costs, this is aided by both the relatively low average wages in the sector and the use of volunteering.

While Australia records its hospitals, aged care, mental health and other health care services separately, the income statements are very similar, especially in terms of philanthropy and profit margins.

Profit and loss – Health



Balance sheet – Health



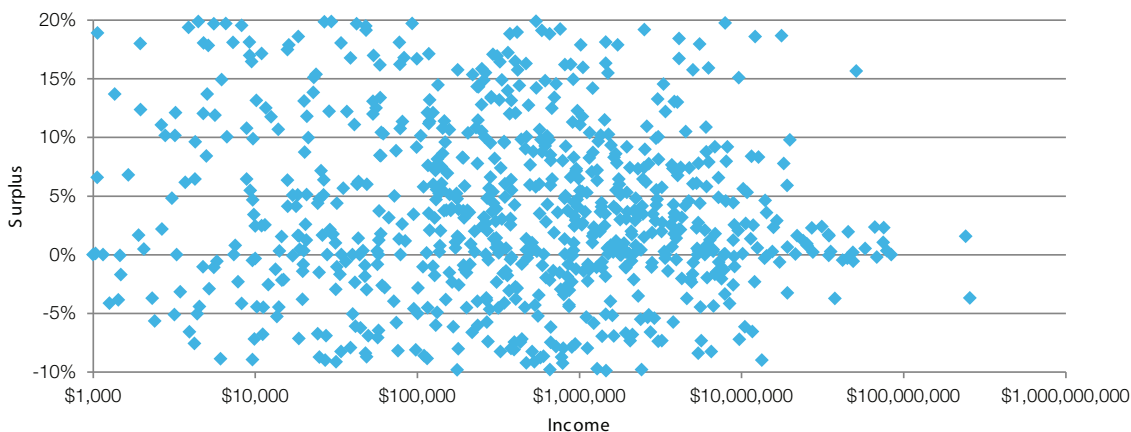
Staffing – Health

	Number
Full time	16,139
Part Time	14,127
Volunteers (FTE)	7,767

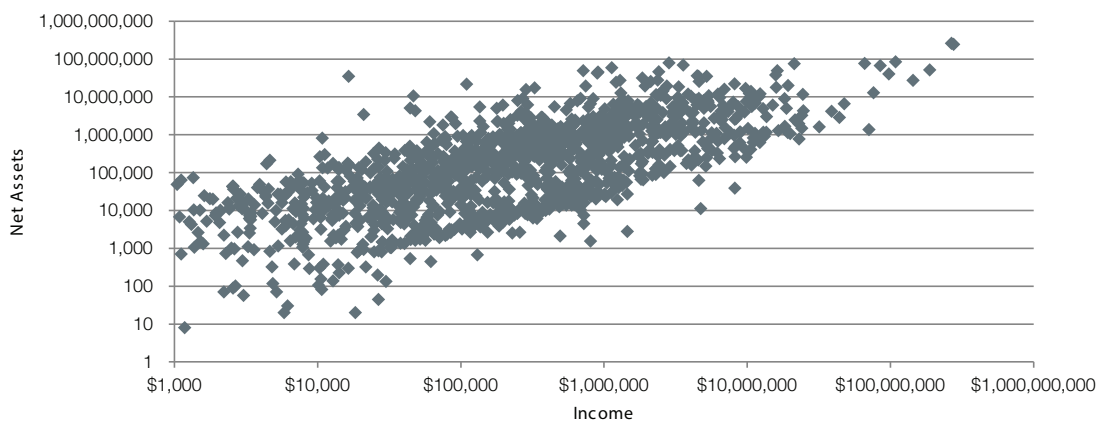
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
St John	\$268	0%	12%	88%	\$306	2,323
The Priory In New Zealand of the Most Venerable Order of the Hospital of St John of Jerusalem	\$242	51%	11%	39%	\$315	2,402
Health Research Council Of New Zealand	\$85	0%	0%	100%	\$39	31
The Order of St John Northern Region Trust Board	\$84	49%	10%	41%	\$121	788
Royal New Zealand Plunket Society Incorporated	\$79	79%	2%	19%	\$22	1,334
The Order of St John Central Region Trust Board	\$75	55%	11%	34%	\$78	671
Wise Group	\$72	0%	0%	100%	\$41	900
Compass Health	\$68	91%	0%	9%	\$10	116
The Order Of St John South Island Region Trust Board	\$66	47%	13%	40%	\$97	623
WellSouth Primary Health Network	\$63	0%	0%	100%	\$5	90

Individual organisation positioning

Income vs Surplus – Health



Income vs Net Assets – Health



Social Services

ICNPO 4 100 – Social services

- **Child welfare, child services and day care** – Services to children, adoption services, child development centres, foster care; includes infant care centres and nurseries.
- **Youth services and youth welfare** – Services to youth; includes delinquency prevention services, teen pregnancy prevention, drop-out prevention, youth centres and clubs and job programs for youth; includes YMCA, YWCA, Boy Scouts, Girl Scouts and Big Brothers/Big Sisters.
- **Family services** – Services to families; includes family life/parent education, single parent agencies and services and family violence shelters and services.
- **Services for the elderly** – Organisations providing geriatric care; includes in-home services, homemaker services, transport facilities, recreation, meal programs and other services geared towards senior citizens (does not include residential nursing homes).
- **Self-help and other personal social services** – Programs and services for self-help and personal development; includes support groups, personal counselling and credit counselling/money management services.

New Zealand examples (ICNPO) - YMCA, Girl Guides Association, family violence prevention projects, Age Concern, alcohol and addiction counselling, Parentline.

ICNPO 4 300 – Income support and maintenance

- **Income support and maintenance** – Organisations providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.
- **Material assistance** – Organisations providing food, clothing, transport and other forms of assistance; includes food banks and clothing distribution centres.

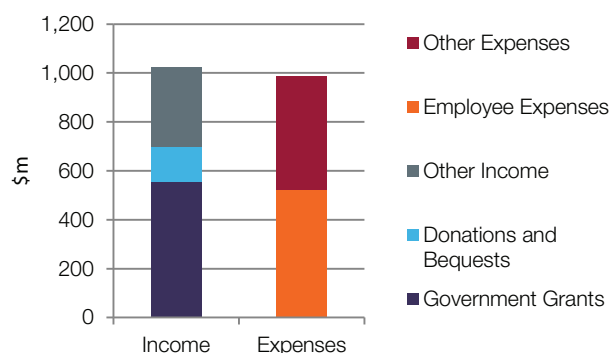
New Zealand examples (ICNPO) - Food banks, Society of Saint Vincent de Paul, Salvation Army Family Store.

Charities Services provides a separate category within the broader Social Services sector of, People with Disabilities, which itself is slightly larger than the remaining organisations total. In addition, the Salvation Army has listed under Religious activities despite its activities being more in line with Social services activities. Margins within the sector are low at 14th out of the 18 sectors analysed and while employee costs make up a relatively high proportion of total costs, actual average wages are the second lowest of the charity sectors.

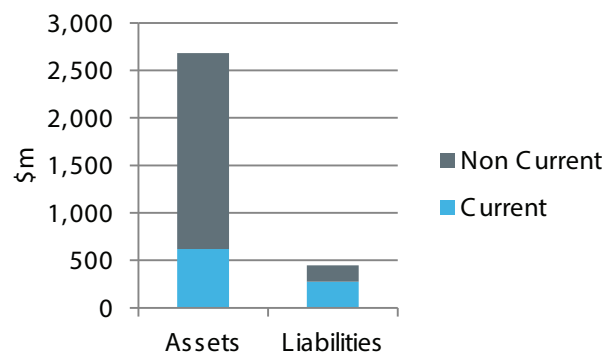
Reliance on volunteers is good in total numbers but sits equal to the overall charity sector when compared to employee numbers. Income relative to sector assets is also around the charity sector average and the social services balance sheet shows low liabilities compared to assets. Philanthropic support is slightly above the sector average. The number of organisations has been almost flat since 2010 compared to the overall charity sector growing by 12%.

Australia and New Zealand both see tight margins in the social services sector, New Zealand's wage costs as a proportion of total costs is lower and their balance sheet relatively stronger. Philanthropy is also a larger proportion of the income mix in New Zealand.

Profit and loss – Social Services



Balance sheet – Social Services



Staffing – Social Services

	Number
Full time	7,151
Part Time	8,126
Volunteers (FTE)	3,903

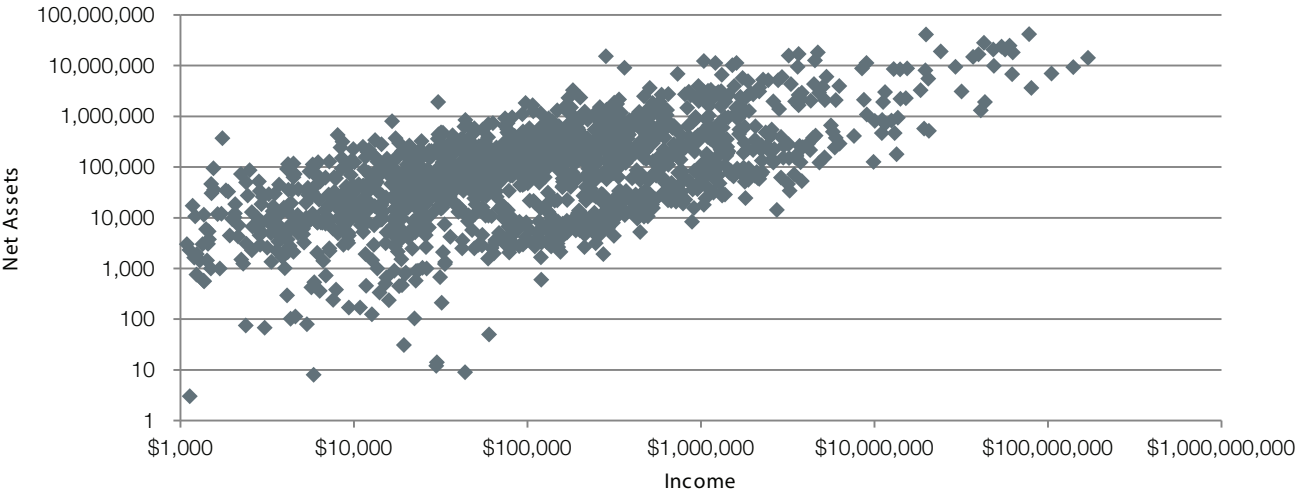
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Presbyterian Support Central	\$65	0%	1%	99%	\$164	1,139
Presbyterian Support (Northern)	\$40	0%	3%	97%	\$90	920
Barnardos New Zealand Incorporated	\$40	0%	12%	88%	\$25	729
Waiapu Anglican Social Services Trust	\$34	0%	4%	96%	\$104	229
Te Pou Matakana Limited	\$27	0%	0%	100%	\$4	20
Waiapu Anglican Aged Care Group	\$26	0%	0%	100%	\$96	419
Children's Health Camps - The New Zealand Foundation For Child And Family Health And Development	\$23	0%	2%	98%	\$58	379
Presbyterian Support East Coast	\$20	56%	11%	33%	\$53	286
Presbyterian Support Southland	\$19	0%	2%	98%	\$50	444
The Youth Horizons Trust	\$18	0%	0%	100%	\$7	230

Individual organisation positioning

Income vs Surplus – Social Services



Income vs Net Assets – Social Services



People with Disabilities

People with Disabilities

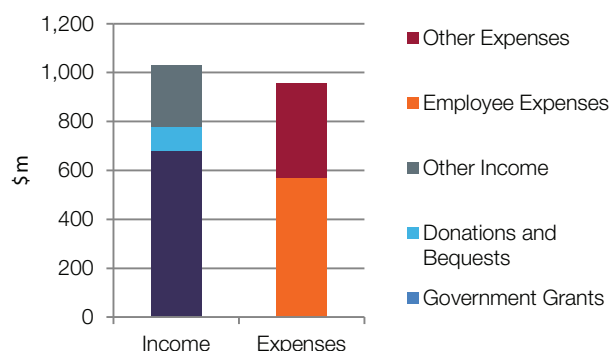
Note that ICNPO, as an activity based system, doesn't provide a separate category for people with disabilities and it is included in Social Services. However, it is a "main sector" option for Charities Services and so is reported separately here. The description below is part of the ICNPO classification included in their Social Services category.

- **Services for the handicapped** – Services for the handicapped; includes homes, other than nursing homes, transport facilities, recreation and other specialised services.

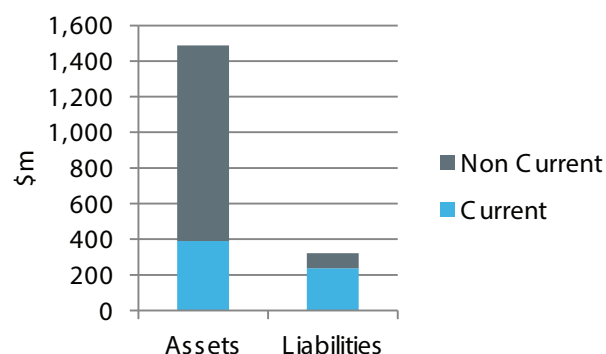
The separately reported main sector category of People with Disabilities sees similarly low margins and a high proportion of costs as wages. There is a little less reliance on volunteering than for the social services sector and philanthropy is a little lower. Relative to income, assets are also lower but with a similar conservative balance sheet structure. There is a good relationship between income and assets for organisations in the sector. The number of organisations has grown in line with the overall charity sector since 2010 growing by 12% to just under 900.

The Australian experience under the new National Disability Insurance Scheme will be closely watched over the next couple of years as it is rolled out from current trial areas. While the large increase in funding for the area is very welcome, the ability of existing organisations to cope with both changes to cash flow timing and to new competition and regulation will provide major insights for both countries users and providers of services.

Profit and loss – People with Disabilities



Balance sheet – People with Disabilities



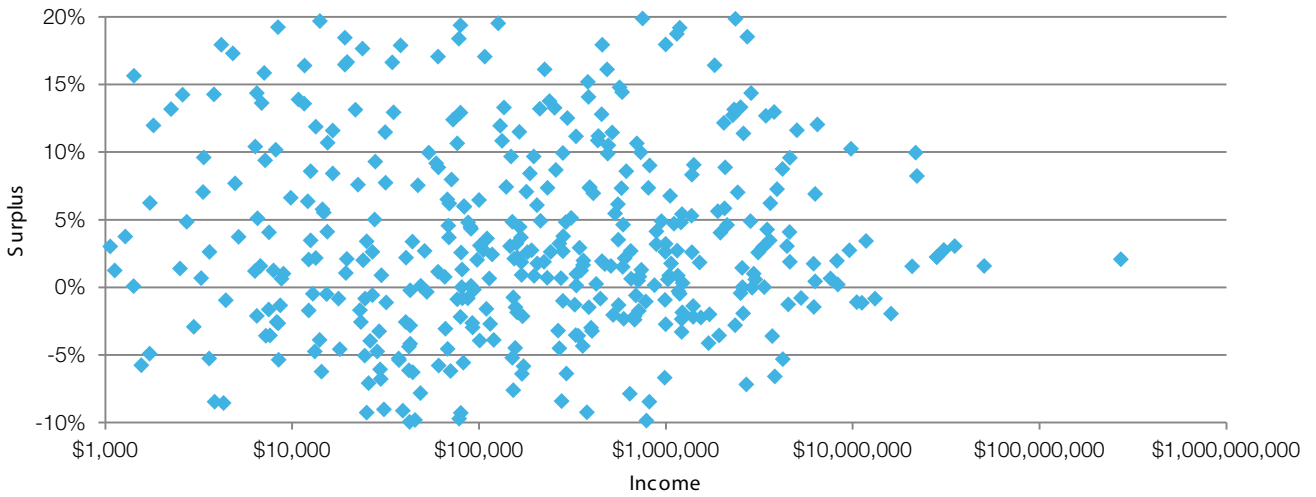
Staffing – People with Disabilities

	Number
Full time	9,377
Part Time	7,090
Volunteers (FTE)	1,264

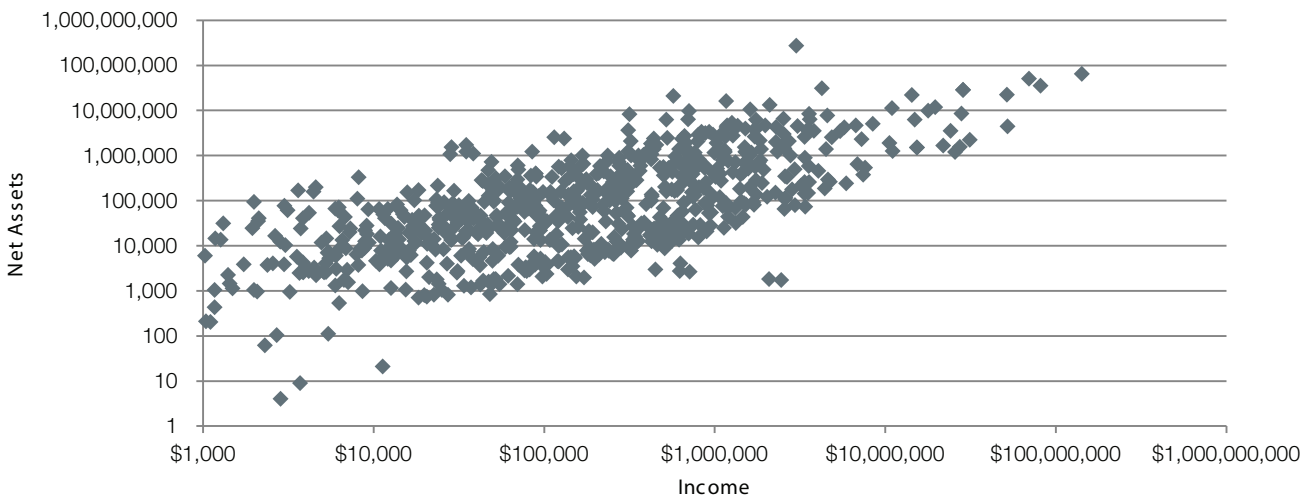
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
IHC New Zealand Incorporated	\$318	0%	3%	97%	\$283	101
Idea Services Limited	\$273	90%	0%	10%	\$51	4,935
Spectrum Care Trust Board	\$53	0%	0%	100%	\$80	809
Royal New Zealand Foundation Of The Blind Incorporated	\$38	0%	64%	36%	\$94	335
CCS Disability Action Incorporated	\$35	0%	14%	86%	\$81	23
Te Roopu Taurima o Manukau Trust	\$31	99%	0%	1%	\$8	469
Hohepa Services Limited	\$28	83%	3%	15%	\$35	347
Hohepa Homes Trust Board	\$28	83%	3%	15%	\$35	347
Pact Group	\$28	96%	1%	3%	\$22	400
Anglican Care (Waiapu) Limited	\$22	67%	0%	33%	\$87	412

Individual organisation positioning

Income vs Surplus – People with Disabilities



Income vs Net Assets – People with Disabilities



Emergency and disaster relief

ICNPO 4 200 – Emergency and relief

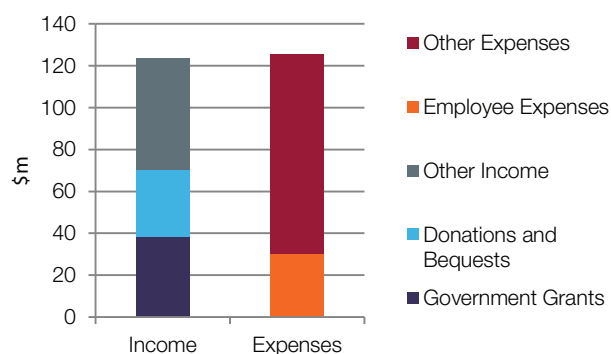
- **Disaster/emergency prevention and control** – Organisations that work to prevent, predict, control and alleviate the effects of disasters, to educate or otherwise prepare individuals to cope with the effects of disasters, or to provide relief to disaster victims; includes volunteer fire departments, life boat services etc.
- **Temporary shelters** – Organisations providing temporary shelters to the homeless; includes travellers’ aid and temporary housing.
- **Refugee assistance** – Organisations providing food, clothing, shelter and services to refugees and immigrants.

New Zealand examples (ICNPO) - Volunteer fire brigades, coastguards, refugee resettlement associations, Search and Rescue.

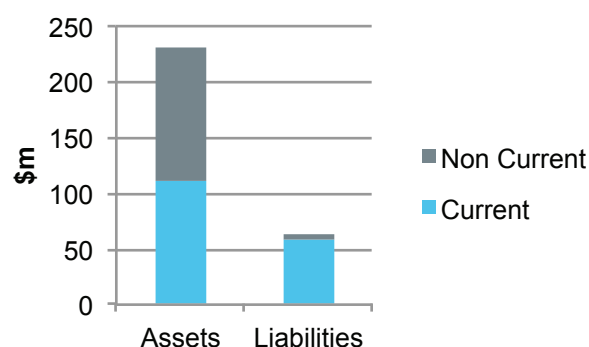
This is predominantly a domestic focused group of organisations in New Zealand operated with very strong volunteer support and a good level of donations. The sector enjoys the greatest participation of volunteers compared to paid staff of all charity areas. Sector assets are reasonably high compared to income and as such depreciation is a significant cost in a low margin sector. There is not a strong relationship between income and assets with many outliers depending on their specific level of local support. The number of organisations has grown slightly faster than overall charity numbers rising 15% since 2010 to just under 700.

The organisations choosing the Emergency and disaster relief category in Australia include groups such as Save the Children and St. Vincent de Paul, which have chosen international activities or social services in New Zealand. This is one of the reasons that the sector sees proportionally much greater income in Australia. Philanthropy in both countries is an important part of the income mix and employee costs are relatively low in both countries.

Profit and loss – Emergency and disaster relief



Balance sheet – Emergency and disaster relief



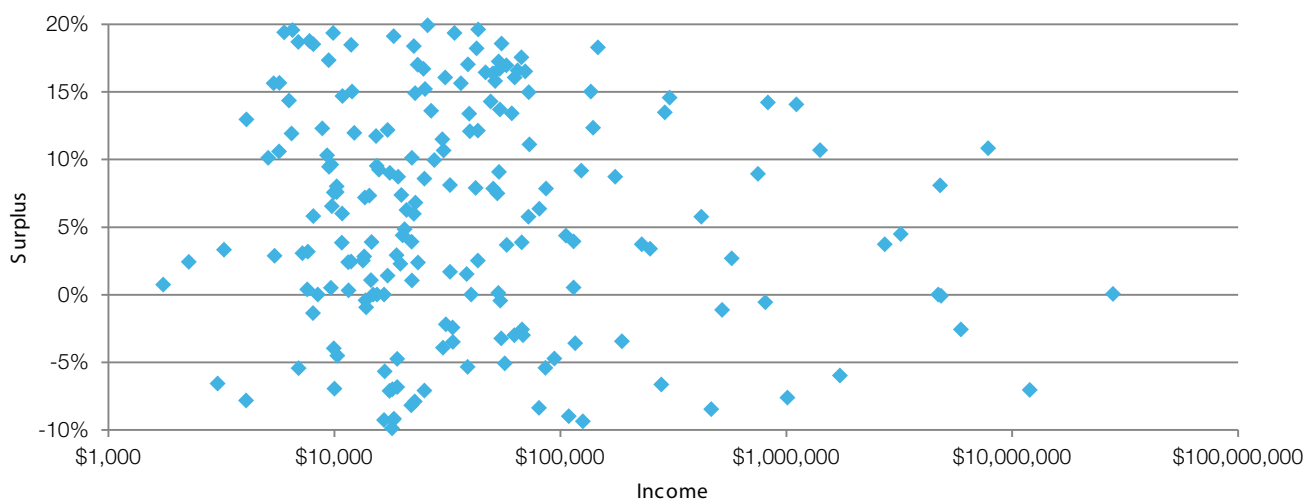
Staffing – Emergency and disaster relief

	Number
Full time	374
Part Time	398
Volunteers (FTE)	1,903

Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Wellington Free Ambulance Service (Incorporated)	\$28	50%	12%	38%	\$13	279
The Life Flight Trust	\$11	0%	48%	52%	\$9	28
Central Emergency Communications Limited	\$8	93%	0%	7%	\$5	-
Otago Rescue Helicopter Trust	\$7	0%	18%	82%	\$3	1
Royal New Zealand Coastguard Incorporated	\$6	32%	7%	61%	\$2	14
Coastguard Northern Region Incorporated	\$5	0%	3%	97%	\$5	35
Otago Rescue Helicopter Group	\$5	83%	15%	2%	\$3	1
Otago Rescue Helicopter Limited	\$5	85%	0%	15%	\$1	1
New Zealand Local Authority Protection Programme Disaster Fund	\$5	0%	0%	100%	\$20	-
The United Fire Brigades' Association of New Zealand (Incorporated)	\$4	0%	70%	30%	\$1	9

Individual organisation positioning

Income vs Surplus – Emergency and disaster relief



Income vs Net Assets – Emergency and disaster relief



Environment and conservation

ICNPO 5 100 – Environment

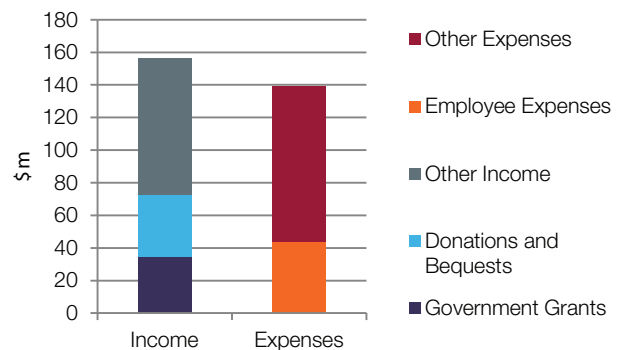
- **Pollution abatement and control** – Organisations that promote clean air, clean water, reducing and preventing noise pollution, radiation control, treatment of hazardous wastes and toxic substances, solid waste management and recycling programs.
- **Natural resources conservation and protection** – Conservation and preservation of natural resources, including land, water, energy and plant resources for the general use and enjoyment of the public.
- **Environmental beautification and open spaces** – Botanical gardens, arboreta, horticultural programs and landscape services; Organisations promoting anti-litter campaigns; programs to preserve the parks, green spaces and open spaces in urban or rural areas; and city and highway beautification programs.

New Zealand examples (ICNPO) - Forest and Bird Protection Societies, Maruia Society, Keep New Zealand Beautiful, Botanical Gardens.

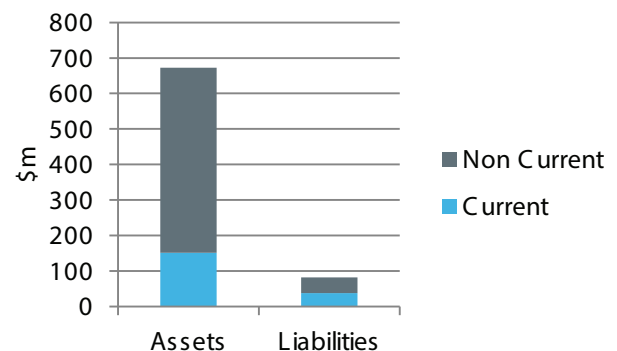
There are over 730 environment and conservation charities in New Zealand and this has grown at more than double the rate of overall charity numbers since 2010. Reliance on donations and bequests is well above the average for the sector while employee expenses are in line at about one third of total costs. Volunteering is a significant part of the sectors operating model seeing one of the highest volunteer to paid staff ratios. Average wages for paid staff are slightly below the charity sector average. The sector has quite a strong balance sheet, although this varies widely among participants as can be seen in the low relationship between income and assets. Liabilities are low and while most assets are non current, depreciation is not high due to land, rather than building ownership. Land represents twice the asset value of building in the sector, the reverse seen in the overall charity sector.

New Zealand has slightly more charities in this cause area compared to Australia although the income mix is very similar with around a quarter coming from philanthropy. Both countries have seen strong growth in organizational numbers in the last two decades. The income to assets relationship is stronger in Australia.

Profit and loss – Environment and conservation



Balance sheet – Environment and conservation



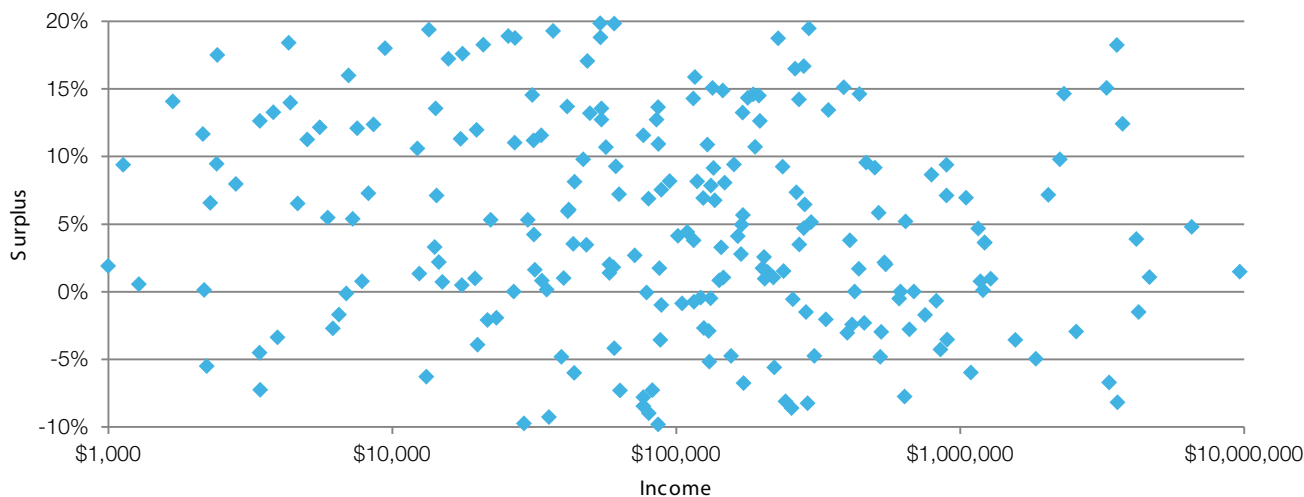
Staffing – Environment and conservation

	Number
Full time	712
Part Time	746
Volunteers (FTE)	2,628

Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Royal Forest And Bird Protection Society Of New Zealand Inc	\$12	0%	0%	100%	\$0	-
National Animal Identification And Tracing (NAIT) Limited	\$9	0%	72%	28%	\$8	45
Waikato River Clean-up Trust	\$8	0%	0%	100%	\$14	1
Wellington Zoo Trust	\$8	0%	14%	86%	\$142	-
The Lake Taupo Protection Trust	\$7	0%	9%	91%	\$4	68
Queen Elizabeth The Second National Trust	\$7	0%	98%	2%	\$10	1
World Wide Fund for Nature New Zealand	\$7	62%	5%	33%	\$19	15
Wai-Ora Forest Landscapes Limited	\$5	0%	98%	2%	\$2	22
Community Business and Environment Centre Co-Operative Society Limited	\$5	0%	0%	100%	\$2	48
Sustainability Trust	\$4	0%	6%	94%	\$2	30

Individual organisation positioning

Income vs Surplus – Environment and conservation



Income vs Net Assets – Environment and conservation



Care and protection of animals

ICNPO 5 200 – Animal protection

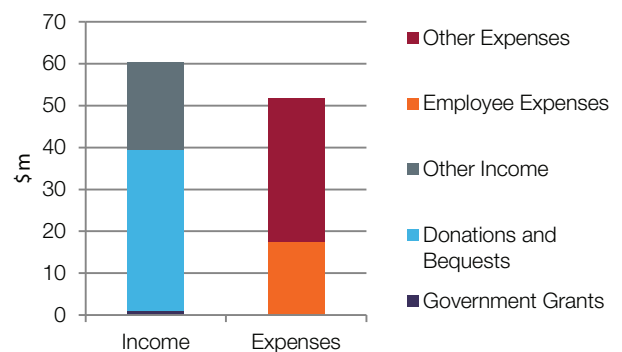
- **Animal protection and welfare** – Animal protection and welfare services; includes animal shelters and humane societies.
- **Wildlife preservation and protection** – Wildlife preservation and protection; includes sanctuaries and refuges.
- **Veterinary services – Animal hospitals and services providing care to farm and household animals and pets.**

New Zealand examples (ICNPO) - Society for the Prevention of Cruelty to Animals, Cats Protection League, Yellow Eyed Penguin Trust.

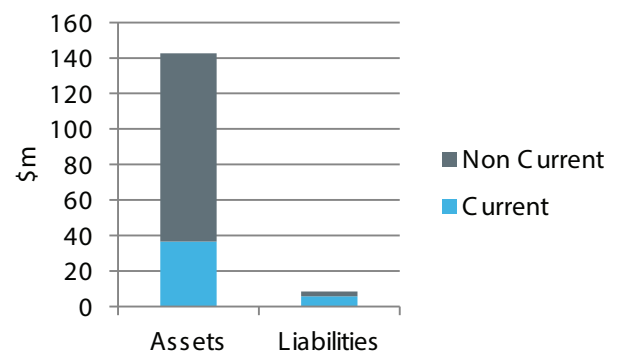
The sector enjoys strong profit margins, aided by a very strong level of philanthropy which provides almost 60% of sector income. While the sector sees a little over 1% of total donations, it enjoys over 10% of bequests in the total charity sector. Despite average wages being in the bottom quartile of the charity sector, they are still in the top quartile as a proportion of total costs, pointing to the labour intensive nature of the sector. It is also one of the most volunteer reliant of the sectors. The number of charities has grown at the fastest rate of all sectors except International activities, since 2010, now sitting above 220, four times the average charity organisation growth rate. The sector balance sheet is strong with few liabilities.

Both Australia and New Zealand have seen a strong jump in the number of charities in this sector. They also both rely on philanthropy as their main income source, although this is more significant in New Zealand with other (self earned) income stronger in Australia possibly pointing to opportunities locally.

Profit and loss – Care and protection of animals



Balance sheet – Care and protection of animals



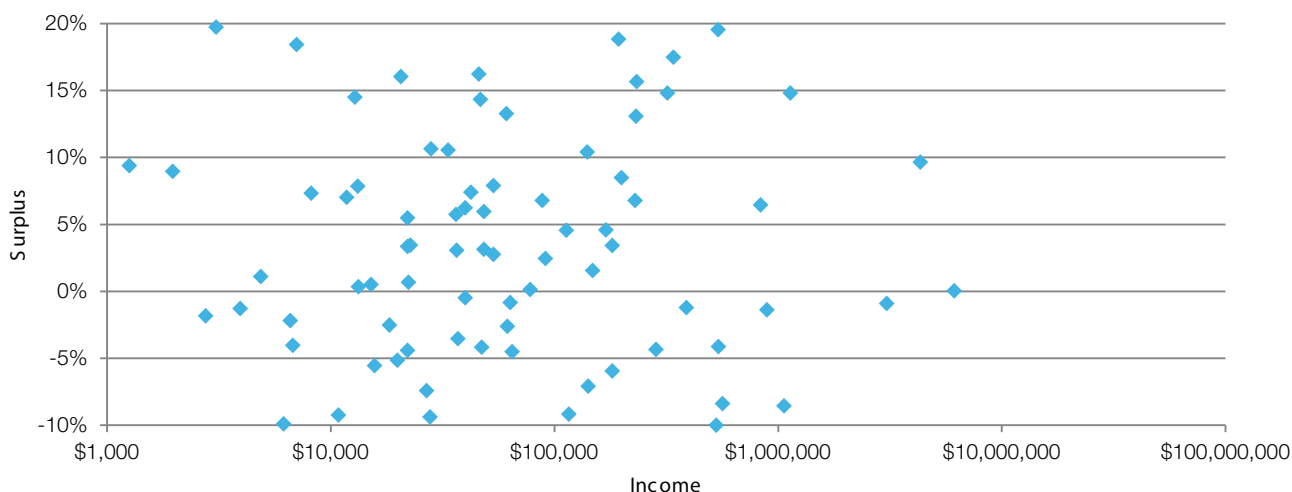
Staffing – Care and protection of animals

	Number
Full time	280
Part Time	255
Volunteers (FTE)	551

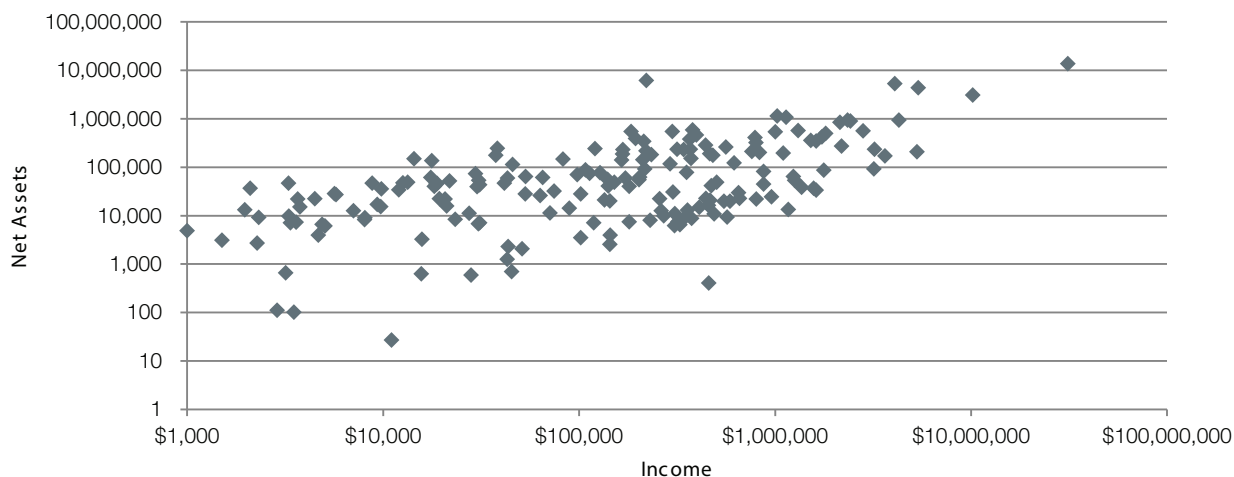
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
The Society for the Prevention of Cruelty to Animals Auckland Incorporated	\$13	0%	64%	36%	\$36	126
World Animal Protection Incorporated	\$6	0%	99%	1%	\$1	8
The Royal New Zealand Society for the Prevention of Cruelty to Animals Incorporated	\$5	7%	65%	27%	\$5	16
The Auckland SPCA Trust	\$5	0%	51%	49%	\$24	-
Wellington Society For The Prevention Of Cruelty To Animals Incorporated	\$4	0%	57%	43%	\$7	45
The Polaris Charitable Trust	\$4	0%	100%	0%	\$0	-
The Canterbury Branch of the Royal New Zealand Society for the Prevention of Cruelty to Animals Inc	\$3	0%	60%	40%	\$10	49
Save Animals From Exploitation Incorporated	\$1	0%	96%	4%	\$1	17
Waikato Branch Of The Royal New Zealand Society For The Prevention Of Cruelty To Animals Incorporated	\$1	7%	36%	58%	\$0	24
The Whangarei Branch Of The Royal New Zealand Society For The Prevention Of Cruelty To Animals Incorporated	\$1	4%	32%	64%	\$1	25

Individual organisation positioning

Income vs Surplus – Care and protection of animals



Income vs Net Assets – Care and protection of animals



Community development

Charity Services “main sector” choices for organisations provide another option within the ICNPO 6 100 category, “Marae on reservation land”. We have included this much smaller grouping under this broader Community development sector.

ICNPO 6 110 – Community and neighbourhood organisations

- **Organisations working towards improving the quality of life within communities or neighbourhoods** - e.g., squatters’ associations, local development organisations and poor people’s cooperatives.
- **Social development** – Organisations working towards improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well-being.

New Zealand examples (ICNPO) - Community centres, community development trusts, neighbourhood support groups.

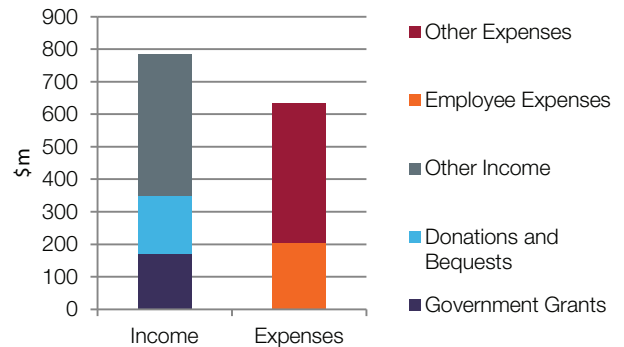
ICNPO 6 120 – Tangata Whenua Governance organisations.

New Zealand examples (ICNPO) - Mandated iwi organisations, marae committees.

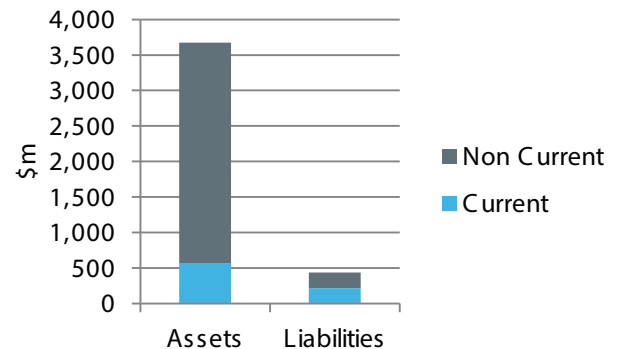
Reasonably good margins and a high level of philanthropic income support this fairly diverse group of organisations. There is also a large asset base and a relatively low level of liabilities. One of the downsides of this asset base is the larger depreciation charges reduce what is still a quite profitable sector. There is a strong relationship between income and assets throughout the sector. Volunteering is good which helps keep wage costs below most other sectors as a proportion of total costs. Average wages are around mid range for the charity sector. There has been very strong growth in the number of organisations, up almost 50% since 2010 and now over 2,000.

The Australian sector combines community and economic development but is also dominated by the former. Relative to country size and population, the New Zealand sector enjoys greater income and a much stronger asset base and has more organisations in the sector.

Profit and loss – Community development



Balance sheet – Community development



Staffing – Community development

	Number
Full time	2,467
Part Time	3,589
Volunteers (FTE)	2,929

Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Regional Facilities Auckland	\$99	0%	0%	100%	\$1,081	876
Central Lakes Trust	\$97	0%	0%	100%	\$370	5
Trust House Limited	\$29	0%	0%	100%	\$78	219
Te Whanau o Waipareira Group	\$24	0%	0%	100%	\$35	186
Te Runanga A Iwi O Ngapuhi	\$17	0%	23%	77%	\$56	23
Eden Park Trust	\$17	0%	0%	100%	\$288	28
The Evangelical Alliance Relief Fund	\$14	0%	98%	2%	\$4	50
Whale Watch Kaikoura Limited	\$11	0%	0%	100%	\$26	67
The Todd Foundation	\$11	0%	85%	15%	\$31	4
Whai Maia Charitable Trust 1	\$11	6%	0%	94%	\$3	52

Individual organisation positioning

Income vs Surplus – Community development



Income vs Net Assets – Community development



Economic development

Economic development

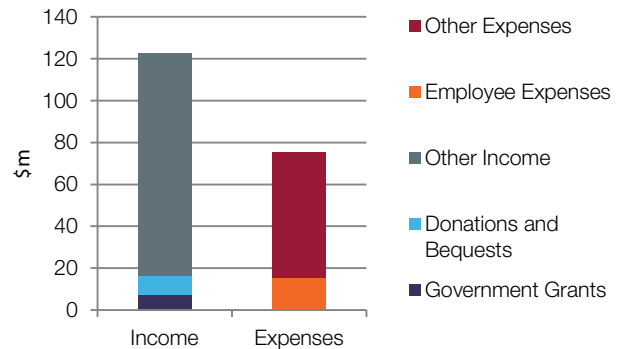
ICNPO combines the Economic and Community development sectors in ICNPO 6 100. Charity Services “main sector” choices provide a breakup of these two subsectors.

- **Economic development** – Programs and services to improve economic infrastructure and capacity; includes building of infrastructure, such as roads, and financial services, such as credit and savings associations, entrepreneurial programs, technical and managerial consulting and rural development assistance.

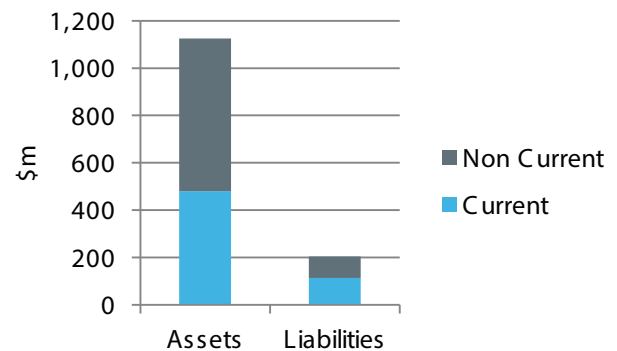
This is a much smaller sector and is generally regionally based. Other or self earned income dominates. Government or philanthropic support and profit margins are very strong. There has been an increase of around 40% in organisation numbers since 2010, although they only total around 150. Volunteers are slightly smaller compared to paid staff and compared to other charity sectors. Overall wage costs are a smaller proportion of overall costs at around 15%, about half the broad average. It is also the most asset rich sector compared to income levels with reasonably low liabilities. There is a reasonably good relationship between income and assets in the sector.

Australian sector comparisons are better described under community development where the two sectors are combined. Similar economic development groups in Australia are not generally as asset rich compared to income as a sector although this measure can be a little skewed by the asset base of a few organisations, particularly in New Zealand.

Profit and loss – Economic development



Balance sheet – Economic development



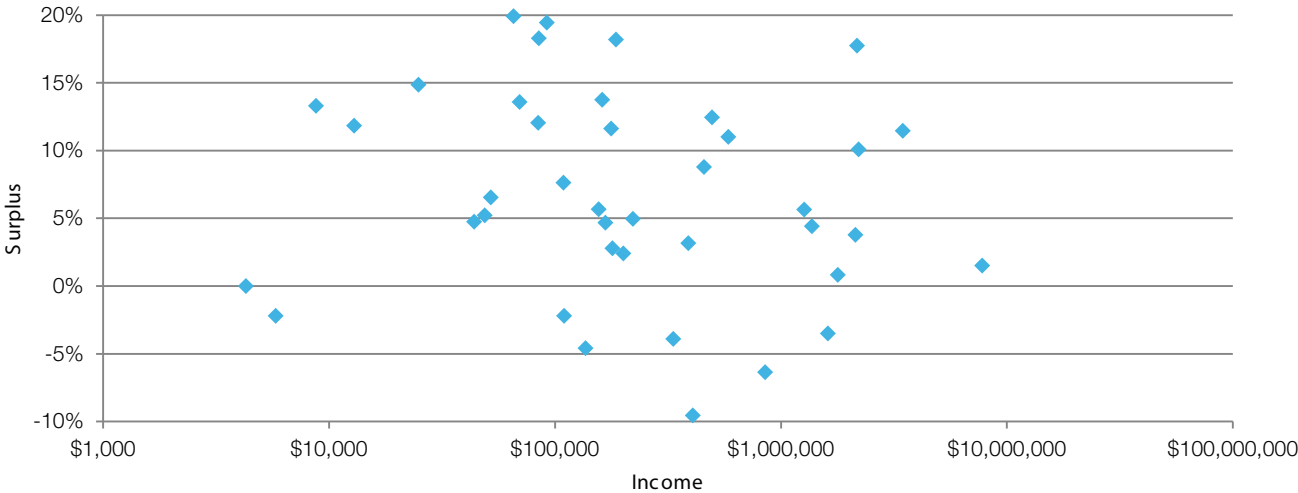
Staffing – Economic development

	Number
Full time	212
Part Time	138
Volunteers (FTE)	97

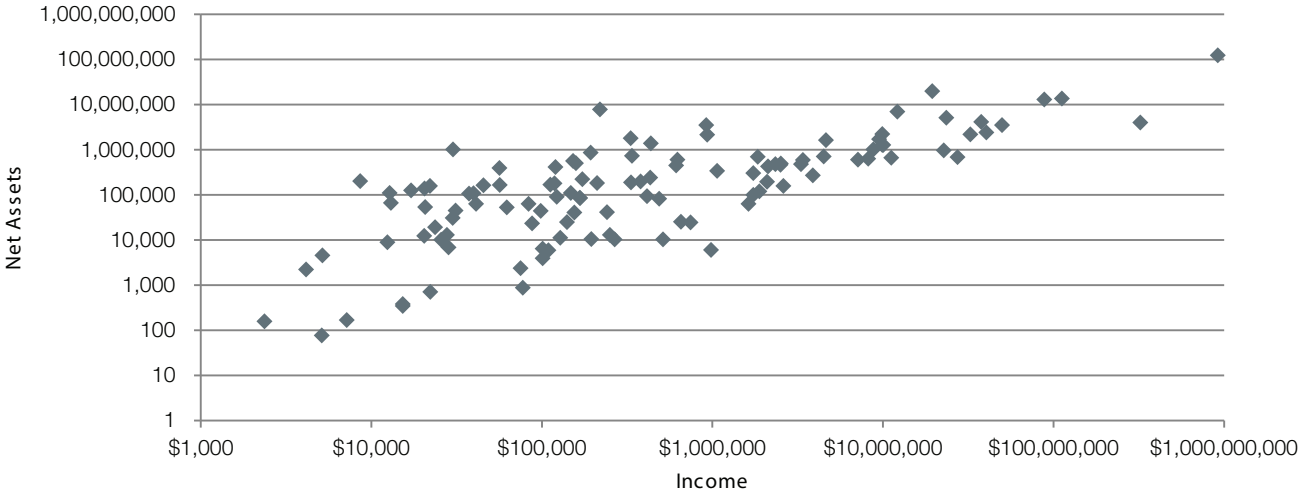
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Development West Coast	\$9	0%	0%	100%	\$127	14
Ruakura Limited	\$9	0%	0%	100%	\$79	-
Ngapuhi Service Station Limited	\$8	0%	0%	100%	\$1	10
Ika Toa Limited	\$7	0%	0%	100%	\$12	-
Fairtrade Australia and New Zealand Ltd	\$5	0%	53%	47%	\$4	20
Ngapuhi Asset Holding Company Limited	\$4	0%	0%	100%	\$47	4
Tainui Group Holdings Limited	\$4	0%	0%	100%	\$376	37
The Agricultural And Marketing Research And Development Trust Board	\$4	0%	0%	100%	\$87	3
Ngati Ruanui Holdings Corporation Limited	\$3	0%	0%	100%	\$51	1
Poutama Trust	\$3	0%	0%	100%	\$34	5

Individual organisation positioning

Income vs Surplus – Economic development



Income vs Net Assets – Economic development



Accommodation and housing

ICNPO 6 200 – Housing

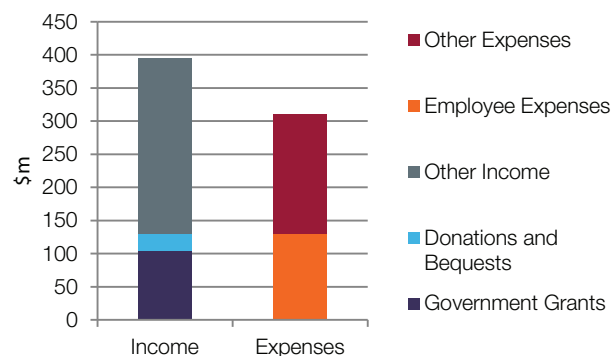
- **Housing associations** – Development, construction, management, leasing, financing and rehabilitation of housing.
- **Housing assistance** – Organisations providing housing search, legal services and related assistance.

New Zealand examples (ICNPO) - NZ Housing Foundation, housing for women trusts, Habitat for Humanity.

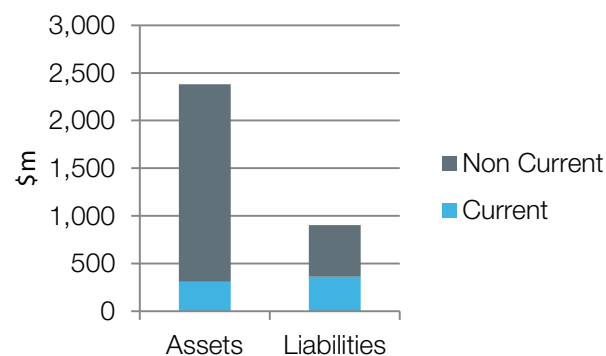
Profit margins for the sector are very good despite philanthropy being a relatively small part of most organisations income mix. Expenditure on wages is around the charity sector average despite average wages being lower. The income to assets ratio is around half that for the broader charity sector as expected with large assets comprising building, land and investments also including property a significant part of the balance sheet. There is some diversity within the sector as shown by the wider spread in the relationship between income and assets for each organisation.

The Australian and New Zealand sectors have much in common in the shape and relative size of their profit and loss statements plus balance sheet for this sector. One of the few differences is the higher level of liabilities in New Zealand. We also see a similar low number of volunteers compared to paid staff. The rate of growth in organisation numbers slowed in Australia after very strong growth in the 1980s and 1990s and in New Zealand we see numbers growing only marginally faster than the overall sector since 2010.

Profit and loss – Accommodation and housing



Balance sheet – Accommodation and housing



Staffing – Accommodation and housing

	Number
Full time	1,992
Part Time	2,069
Volunteers (FTE)	294

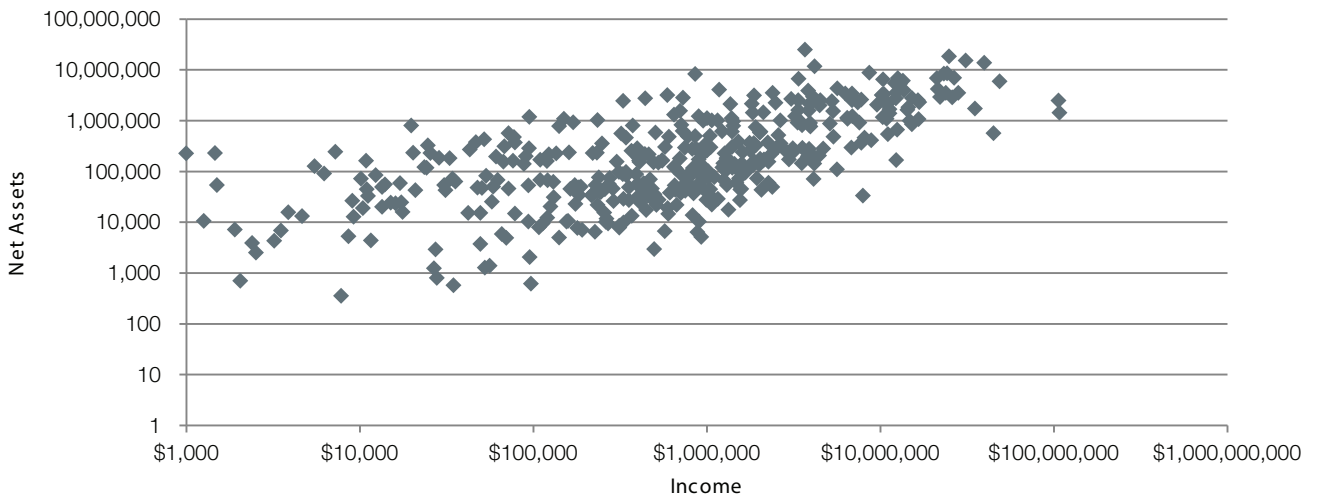
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
MASH Trust	\$26	0%	0%	100%	\$10	540
New Zealand Housing Foundation	\$20	0%	25%	75%	\$50	10
Youth Hostels Association Of New Zealand Incorporated	\$15	0%	1%	99%	\$47	190
Accessible Properties New Zealand Limited	\$14	77%	0%	23%	\$60	15
Auckland and Onehunga Hostels Endowment Trust	\$12	0%	31%	69%	\$61	-
Lincoln Hospitality Limited	\$12	0%	0%	100%	\$7	94
Northbridge Lifecare Trust	\$9	25%	0%	75%	\$51	110
Kapiti Retirement Trust	\$8	46%	0%	54%	\$87	113
The Napier District Masonic Trust	\$8	0%	1%	99%	\$51	143
Parkwood Trust Incorporated	\$7	24%	0%	76%	\$89	147

Individual organisation positioning

Income vs Surplus – Accomodation and housing



Income vs Net Assets – Accomodation and housing



Employment

ICNPO 6 300 – Employment and training

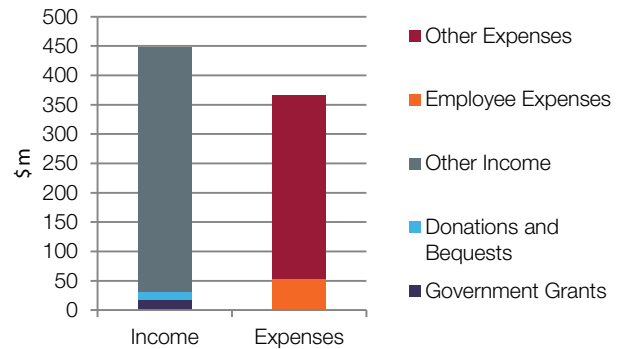
- **Job training programs** – Organisations providing and supporting apprenticeship programs, internships, on-the-job training and other training programs.
- **Vocational counselling and guidance** – Vocational training and guidance, career counselling, testing and related services.
- **Vocational rehabilitation and sheltered workshops** – Organisations that promote self-sufficiency and income generation through job training and employment.

New Zealand examples (ICNPO) - Student Job Search, employment services trusts, skill centres.

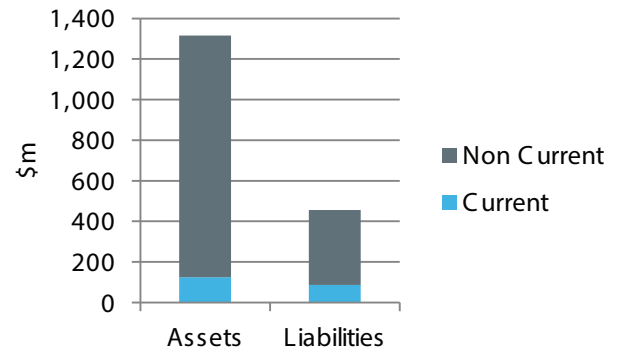
This sector is dominated by the Ngai Tahu Charitable Group which comprise over 90% of both income and assets. Apart from this broad group controlling a range of both grant making and income generating businesses, there are around 40 other smaller organisations comprising the sector. Given this, the strong margins and balance sheet aren't reflective of most groups in the sector. The remaining total shows the same relatively low margin sector as seen in Australia. Also while the total sector sees employee costs very low as a proportion of total costs, excluding the dominant group sees wages rise to 29% of total costs. There is only a mild relationship between income and assets for the sector as a whole.

New Zealand enjoys much better profit margins and a relatively stronger balance sheet compared to the Australian employment and training charities, but again this is due to the one large group within the local sector. Excluding that, as noted, profit margins are similarly low and it is a relatively asset poor local sector compared to income levels.

Profit and loss – Employment



Balance sheet – Employment



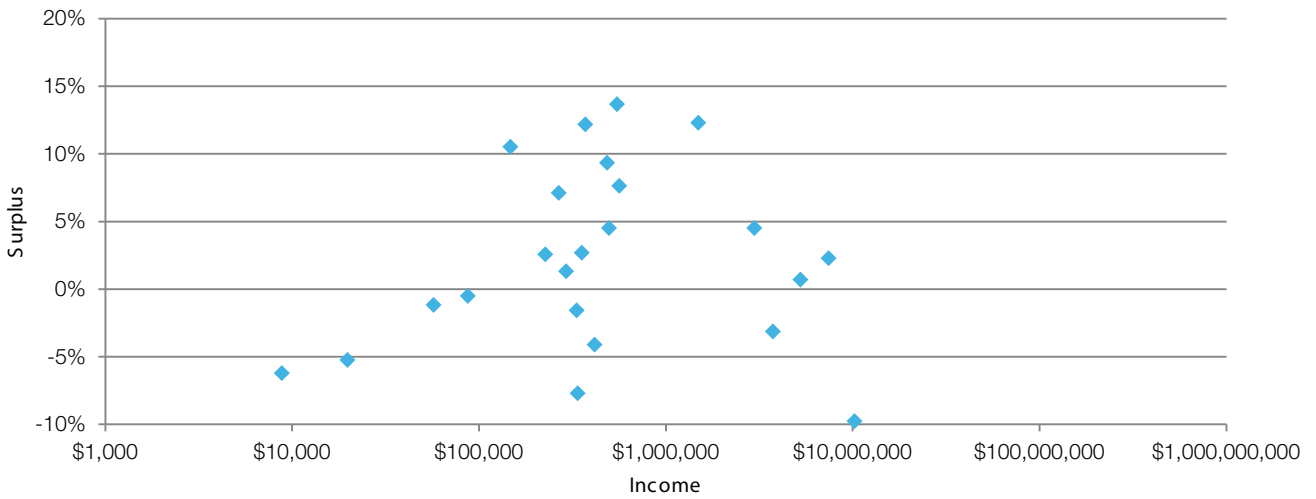
Staffing – Employment

	Number
Full time	841
Part Time	610
Volunteers (FTE)	58

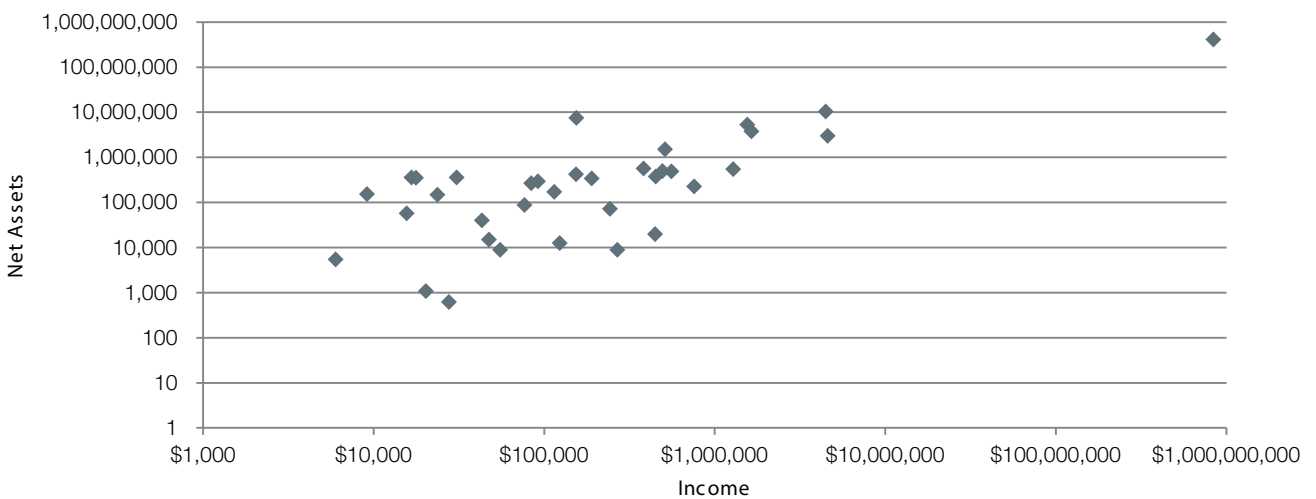
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Ngai Tahu Charitable Group	\$411	0%	3%	97%	\$1,289	788
Workbridge Incorporated	\$11	0%	0%	100%	\$6	102
Rescare Management Limited	\$7	0%	0%	100%	\$2	161
Pathway Engineering Limited	\$5	0%	0%	100%	\$2	15
Student Job Search Aotearoa Incorporated	\$4	0%	0%	100%	\$1	46
Kaipara Refuse Limited	\$2	0%	4%	96%	\$1	33
Supported Employment Agency (Rotorua)	\$1	0%	98%	2%	\$0	18
Southland Mature Employment Charitable Trust	\$1	11%	0%	89%	\$0	25
Wai-Ora Trust	\$1	6%	0%	94%	\$1	8
Whaioro Trust Board	\$1	0%	0%	100%	\$1	7

Individual organisation positioning

Income vs Surplus – Employment



Income vs Net Assets – Employment



Fund-raising

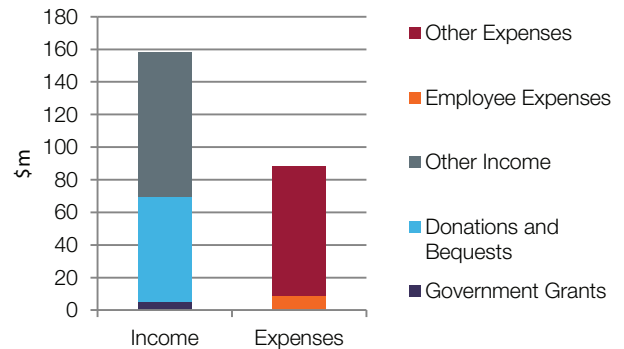
Fund-raising

The ICNPO category of 8 100 Grant-making foundations, isn't matched in Charity Services "main sector" options. Instead they provide a choice within "main activity" and those organisations then choose which sectors they support (eg social services, for their "main sector". Organisations choosing fund-raising as their main sector tend to be the public fund-raising arms of other "doing" charities. Private grant-making foundations, community trusts, gaming trusts and various other trusts which offer grants will generally list their "main sector" as the cause area they support.

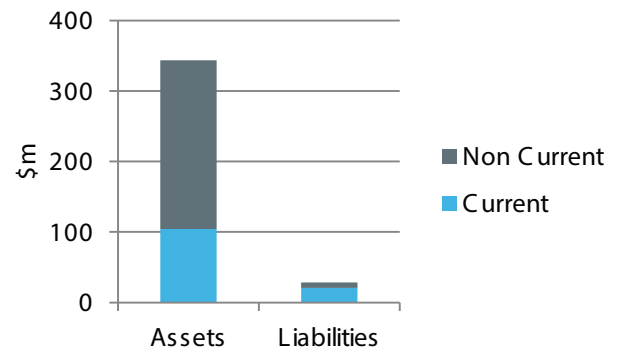
The majority of sector income is either directly or indirectly from donations and bequests. There is little Government funding in this area with their support usually going directly to organisations this sector also supports. As this main activity for the sector will have a profit margin broadly in line with fundraising overall, it is not surprising that the fund-raising sector enjoys the highest profit margin of all charity sectors. The low proportion of costs made up by wages is reflective of the very strong volunteering support seen in the sector. Although the sector does have a reasonable asset base with only a small level of liabilities, it is well above charity sector averages for an income to asset ratio. While generally small, there are a relatively large number of organisations in this category, jumping around 30% since 2010 to almost 1,000 currently.

Australia records its grant making organisations including those charitable trusts and foundations that make grants from a corpus to other charities with those groups who directly raise funds and as such has a much larger asset base, although a similarly profitable financial model.

Profit and loss – Fund-raising



Balance sheet – Fund-raising



Staffing – Fund-raising

	Number
Full time	135
Part Time	166
Volunteers (FTE)	810

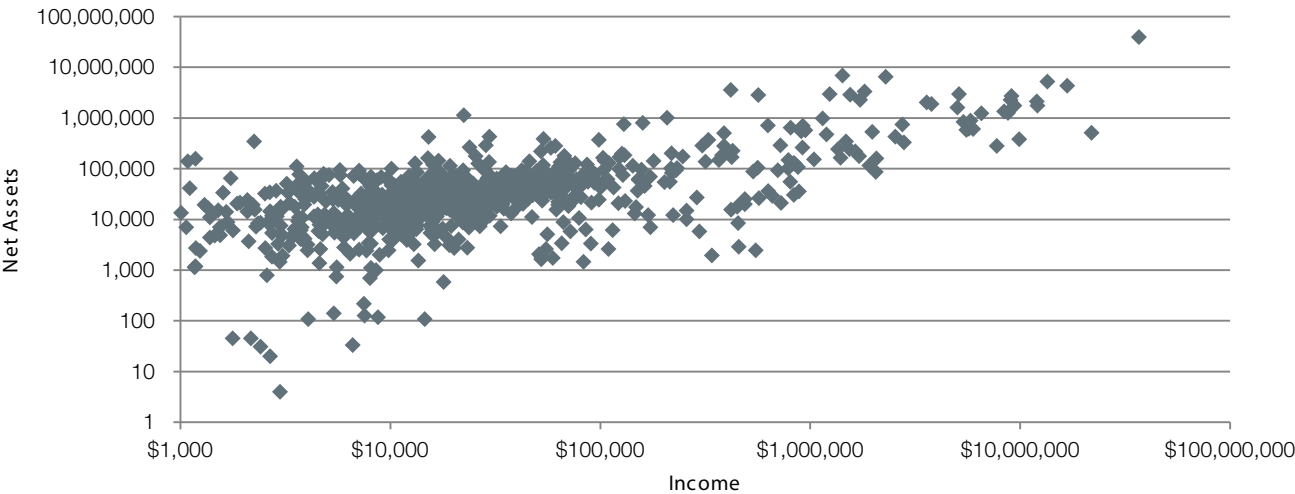
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Ronald McDonald House Charities New Zealand Trust	\$39	0%	4%	96%	\$38	60
Canterbury West Coast Air Rescue Trust	\$7	0%	100%	0%	\$2	7
Friends of Animal Charities (Acronym: FOAC)	\$6	0%	99%	1%	\$2	-
Southern Stars Charitable Trust Limited	\$4	0%	99%	1%	\$1	6
Acorn Foundation	\$3	0%	65%	35%	\$16	3
Wellington Hospitals Foundation	\$3	0%	69%	31%	\$2	13
Spark Foundation	\$3	0%	31%	69%	\$3	3
Mission Without Borders (N. Z.)	\$3	0%	40%	60%	\$1	4
Arohanui Hospice Foundation	\$3	0%	69%	31%	\$9	-
The Middlemore Foundation For Health Innovation	\$3	0%	89%	11%	\$6	6

Individual organisation positioning

Income vs Surplus – Fund-raising



Income vs Net Assets – Fund-raising



Promotion of volunteering

ICNPO 8 200 – Other philanthropic intermediaries and voluntarism promotion

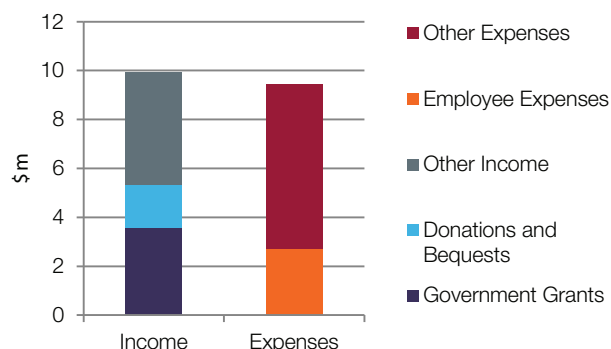
- **Volunteerism promotion and support** – Organisations that recruit, train and place volunteers and promote volunteering.
- **Fundraising organisations** – Federated, collective fundraising organisations; includes lotteries.

New Zealand examples (ICNPO) - Volunteering centres, Fundraising Institute of NZ Inc.

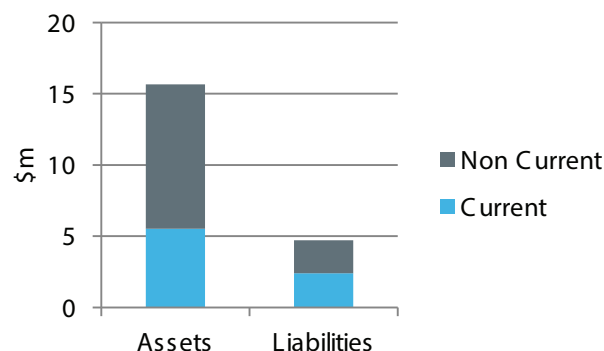
Despite the very large level of volunteering in New Zealand, most of that activity is co-ordinated by the charities directly rather than external groups. That leaves this sector quite small in terms of both income and assets with around 70 organisations. Happily, volunteering within the sector is good with some smaller levels of philanthropy assisting.

It is a similarly small sector in Australia although some groups such as Rotary (Australia Overseas Aid fund) have nominated this as their main activity.

Profit and loss – Promotion of volunteering



Balance sheet – Promotion of volunteering



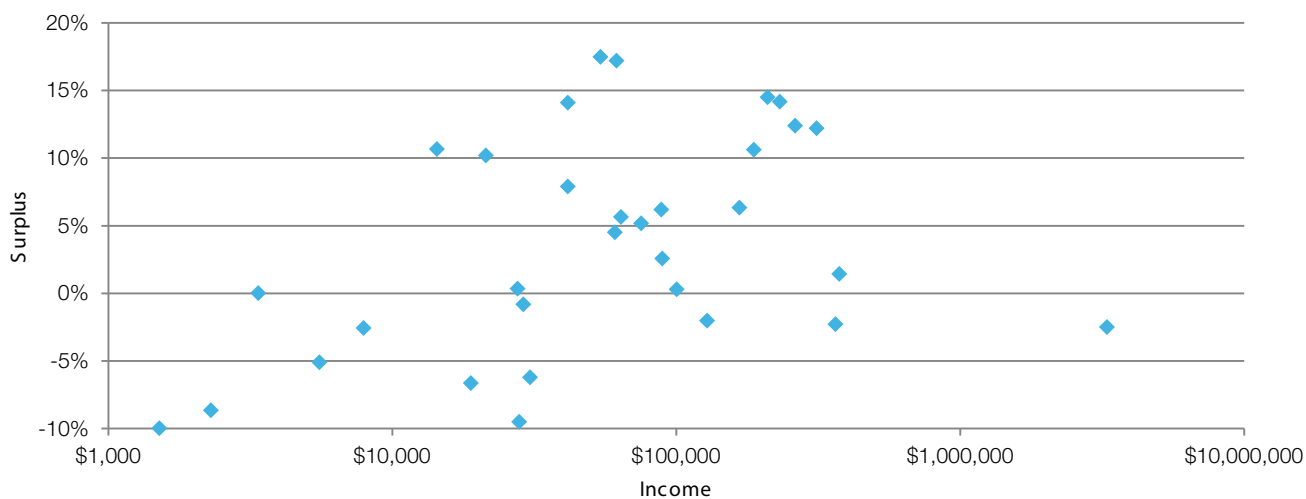
Staffing – Promotion of volunteering

	Number
Full time	24
Part Time	52
Volunteers (FTE)	295

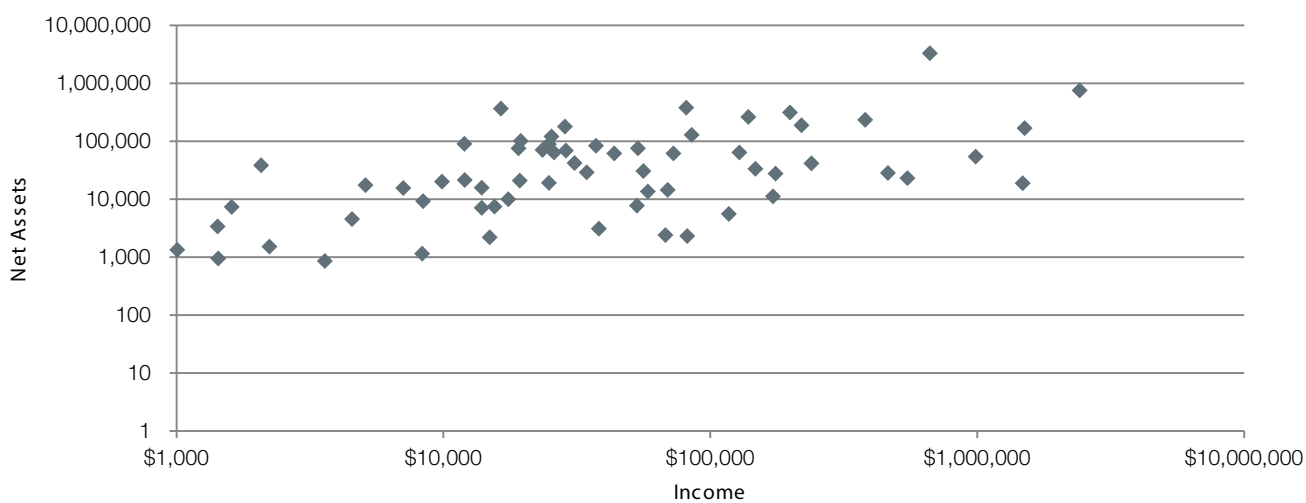
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Bamboo-GVN Charitable Trust	\$2	0%	0%	100%	\$0	9
The Maerewhenua Trust	\$1	0%	5%	95%	\$5	-
Wellington Volunteer Centre	\$0	0%	56%	44%	\$0	8
Volunteering Waikato	\$0	8%	6%	85%	\$0	4
Papamoa Surf Life Saving Club Incorporated	\$0	0%	49%	51%	\$0	2
Volunteering Auckland Trust	\$0	57%	15%	28%	\$0	3
Volunteer Nelson	\$0	0%	76%	24%	\$0	5
Aotearoa Cultural & Volunteer Exchange Incorporated	\$0	0%	0%	100%	\$0	3
Volunteering Otago Trust	\$0	0%	80%	20%	\$0	4
Volunteering New Zealand Incorporated	\$0	0%	0%	100%	\$0	2

Individual organisation positioning

Income vs Surplus – Promotion of volunteering



Income vs Net Assets – Promotion of volunteering



International activities

ICNPO 9 100 – International activities

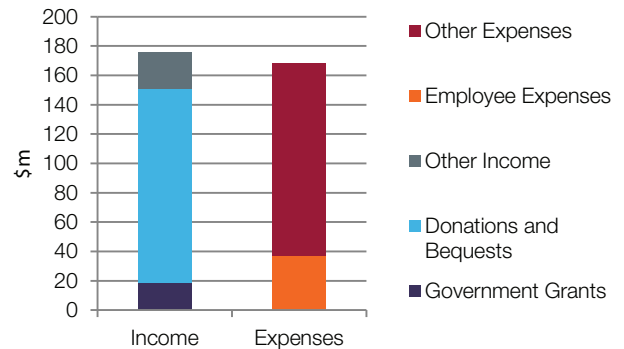
- **Exchange/friendship/cultural programs** – Programs and services designed to encourage mutual respect and friendship internationally.
- **Development assistance associations** – Programs and projects that promote social and economic development abroad.
- **International disaster and relief organisations** – Organisations that collect, channel and provide aid to other countries during times of disaster or emergency.
- **International human rights and peace organisations** – Organisations which promote and monitor human rights and peace internationally.

New Zealand examples (ICNPO) - World Vision, Amnesty International, Oxfam, AFS Intercultural Programmes.

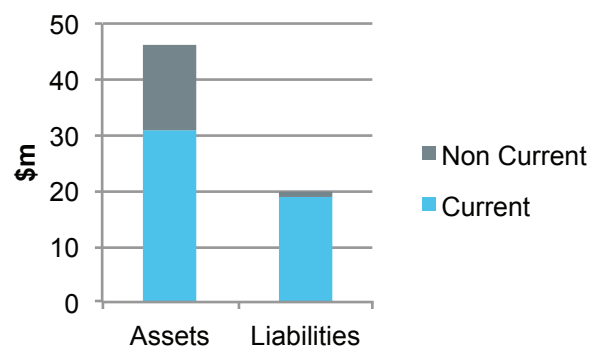
The two issues which are generally present for international activities (aid) organisations are their heavy reliance on donations and bequests and their low profit margins. This is similarly true for the New Zealand groups. Philanthropy comprises a very large, 70%, of the sectors income. While this speaks to the generosity and value donors place in this important sector, it also tends to lead to low profit margins when many organisations want to highlight that every dollar donated goes to the field, rather than building any sustainable capacity for the group to reach a more balanced income mix. This understandable desire to help now, potentially hinders their ability to help in the future. This has left the sector with a very high income to assets ratio meaning a new chase for donors each year with little on-going resources to assist. It should be noted that New Zealand Red Cross have listed under “other” and would have ranked 2nd on income in this cause area. While organisation numbers are under 80, they have almost doubled since 2010. Volunteering is strong.

The Australian sector is very similar with a large reliance on philanthropy, a tight profit margin and an asset poor balance sheet. In addition, their reliance on mass market philanthropy, which has been slower than either high net worth, foundations or corporate giving, has seen pressure gradually build for the sector.

Profit and loss – International activities



Balance sheet – International activities



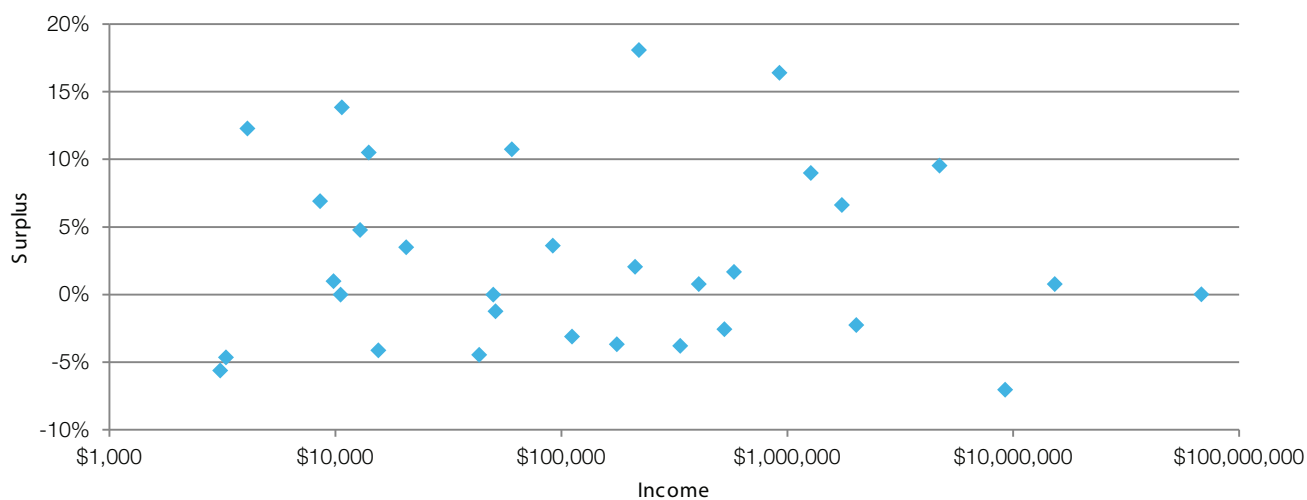
Staffing – International activities

	Number
Full time	232
Part Time	88
Volunteers (FTE)	476

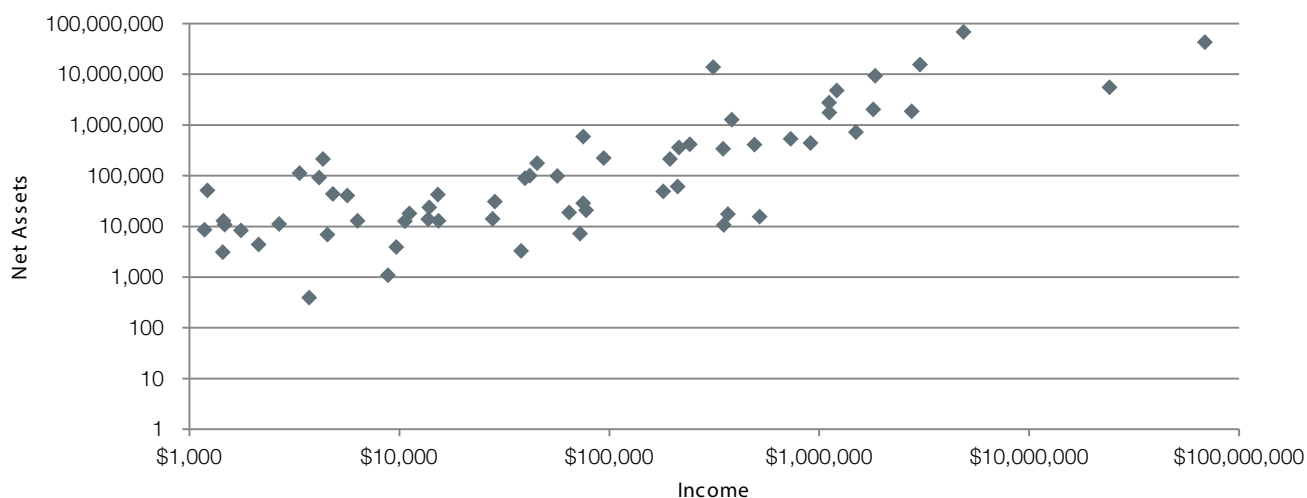
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
World Vision of New Zealand Trust Board	\$68	5%	65%	30%	\$10	124
ChildFund New Zealand Limited	\$15	0%	86%	14%	\$8	27
New Zealand National Committee For Unicef Trust Board	\$14	8%	86%	5%	\$2	48
Save the Children New Zealand	\$9	29%	59%	12%	\$5	22
Effective Charitable Trust	\$5	0%	100%	0%	\$0	-
The Leprosy Mission New Zealand Incorporated	\$5	44%	54%	3%	\$3	9
Anglican Missions Board of the Church in Aotearoa, New Zealand and Polynesia	\$2	0%	62%	38%	\$2	9
Christian World Service	\$2	0%	98%	2%	\$2	6
World Outreach International Incorporated	\$2	0%	5%	95%	\$3	5
NVADER	\$1	0%	99%	1%	\$0	14

Individual organisation positioning

Income vs Surplus – International activities



Income vs Net Assets – International activities



Religious activities

ICNPO 10 100 – Religious congregations and associations

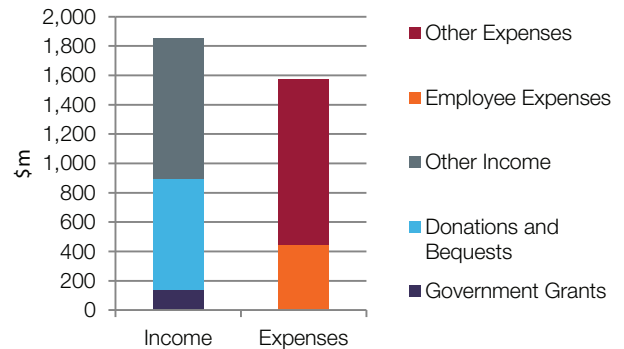
- **Congregations** – Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar organisations promoting religious beliefs and administering religious services and rituals.
- **Associations of congregations** – Associations and auxiliaries of religious congregations and organisations supporting and promoting religious beliefs, services and rituals.

New Zealand examples (ICNPO) - Bible chapels, churches, Muslim associations, temples.

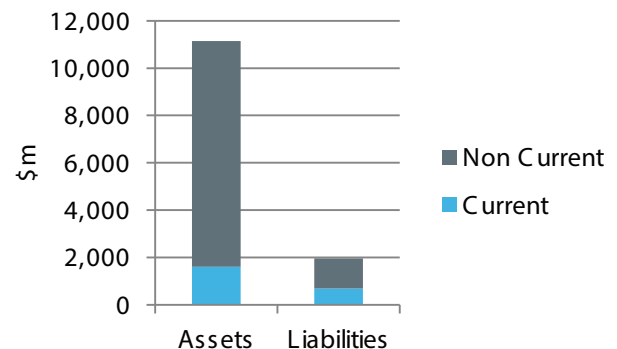
While already significant as the fourth largest charity sector in terms of income, Religious organisations are the largest in philanthropy and second for volunteering, assets and number of organisations. The classification for the sector focuses on “basic religious organisations” and not on organisations, although connected by religion, have activities that are focused on other areas such as education, welfare or international aid. Philanthropy represents over 40% of income while Government share of funding is the fourth lowest of all sectors at under 10%. Volunteering is very important in the sector with the ratio of paid to volunteer workers about half the charity sector average. Profit margins for the sector are strong. The sector is very asset rich compared to income and ranks second on that measure in the broader charity sector. It also sees low levels of liabilities. There is a good relationship between income and assets. One of the operational challenges for the sector globally is due to its share of the philanthropic pie falling over time while asset values rise. The number of organisations continues to rise, and is the second largest in number after education/training/research.

Both Australian and New Zealand sectors see large philanthropic support and strong asset bases. Employee costs are larger in Australia and contribute to lower margins. Relative to country size, population and charity sector dimensions, the religious sector is larger in New Zealand in terms of both income and assets.

Profit and loss – Religious activities



Balance sheet – Religious activities



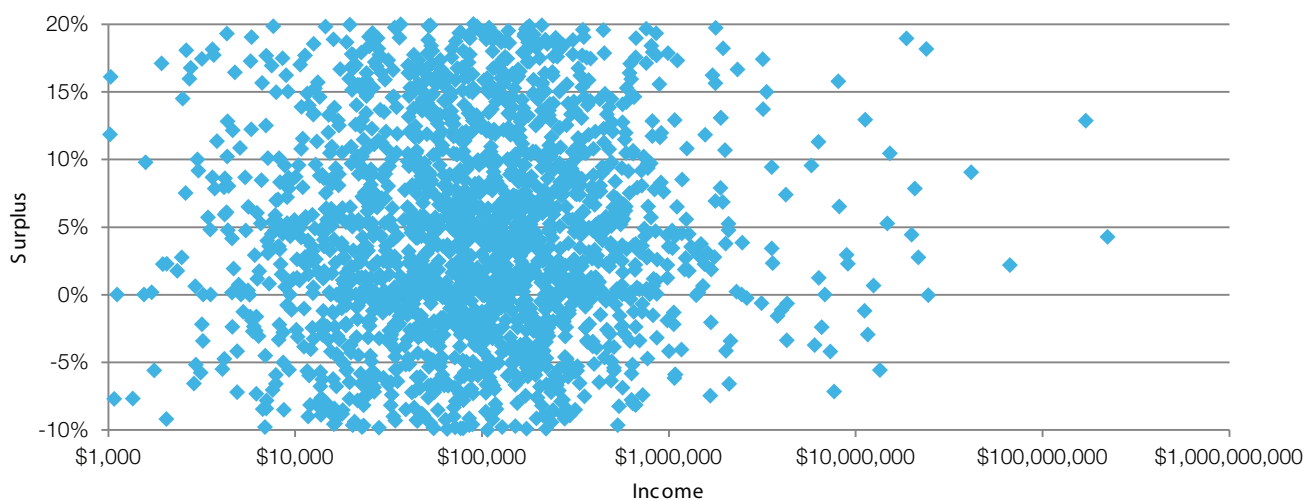
Staffing – Religious activities

	Number
Full time	7,053
Part Time	7,450
Volunteers (FTE)	17,598

Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Seventh Day Adventist Church in New Zealand 1	\$224	1%	1%	98%	\$197	538
The Salvation Army New Zealand Group	\$151	0%	19%	81%	\$546	3,301
The Church of Jesus Christ of Latter-Day Saints Trust Board	\$85	0%	47%	53%	\$253	222
Sisters of Mercy Ministries New Zealand	\$81	0%	19%	81%	\$158	607
PACT 2086 Trust	\$53	0%	0%	100%	\$81	-
Roman Catholic Diocese of Auckland Group	\$42	6%	44%	50%	\$1,185	289
Trinity Lands Limited	\$35	0%	0%	100%	\$278	220
(Anglican) Diocese of Christchurch	\$22	0%	29%	71%	\$167	251
The Roman Catholic Diocese Of Palmerston North	\$21	15%	15%	69%	\$248	101
The Diocese Of Auckland	\$20	0%	49%	51%	\$41	160

Individual organisation positioning

Income vs Surplus – Religious activities



Income vs Net Assets – Religious activities



Other

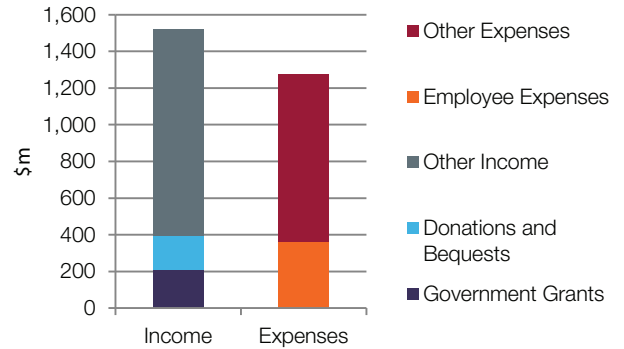
ICNPO 12 100 – Not elsewhere classified

- **All other NPIs** - Other activities, not generally typical of NPIs or not adequately covered elsewhere, such as agriculture, manufacturing, retail trade, etc.

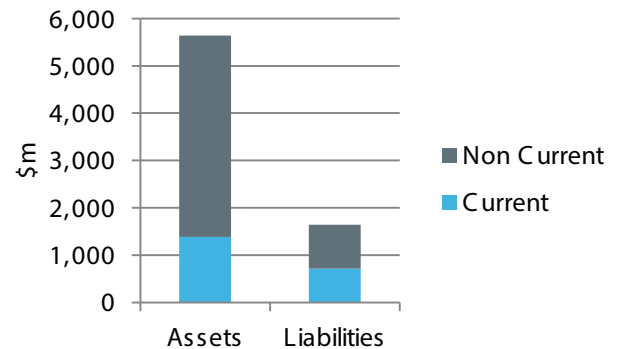
This catch all sector includes many groups that could have chosen other sectors as their main sector but decided that their multiple fields of activity did not fit a single category option. This makes comparisons less significant although it does see both income and assets rank third highest for all charity sectors, perhaps pointing to a lack of strict definitions or guidance among cause area choices. Philanthropy as a source of income is a little lower, but profit margins are still good and the use of volunteers is higher than for the broader charity sector. The relationship between income and assets is strong. Since 2010, the number of organisations classifying as “other” has fallen by half as more accurate descriptions of their main sector have been chosen, although it is still almost 2,000.

The large number of groups choosing this catch all area is similar in Australia and the relativities in income and asset values are also consistent with the overall charity sectors in each country.

Profit and loss – Other



Balance sheet – Other



Staffing – Other

	Number
Full time	4,489
Part Time	3,594
Volunteers (FTE)	6,584

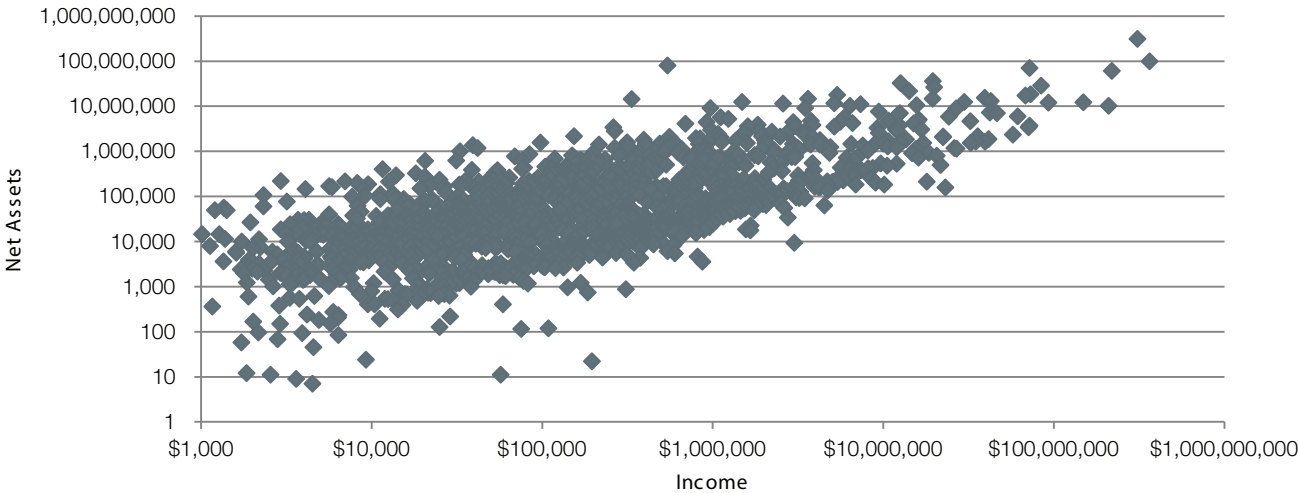
Top 10 organisations by income	Total gross income (\$m)	Government grants	Donations & Bequests	Other income	Total assets (\$m)	Total Staff
Southern Cross Health Trust Group	\$340	0%	0%	100%	\$396	1,464
Waikato Raupatu Lands Trust and Group	\$111	0%	12%	88%	\$1,225	110
Waikato Raupatu Lands Trust	\$98	0%	0%	100%	\$374	52
OSPRI New Zealand Limited	\$89	0%	0%	100%	\$37	119
Pioneer Energy Limited	\$83	0%	0%	100%	\$155	83
TBfree New Zealand Limited	\$81	0%	0%	100%	\$28	1
The Selwyn Foundation Group	\$60	52%	0%	48%	\$430	495
Foundation North Grants Limited	\$42	0%	100%	0%	\$136	-
New Zealand Red Cross Incorporated	\$40	0%	63%	37%	\$66	307
The Horticulture Group	\$37	0%	0%	100%	\$18	54

Individual organisation positioning

Income vs Surplus – Other



Income vs Net Assets – Other



About the author



John McLeod joined JBWere's Philanthropic Services team on its establishment in 2001 after 16 years as a leading resource equity analyst. His primary responsibilities are researching and analysing trends in the philanthropic sector; interpreting the findings to provide valuable insights for clients; and forging relationships between clients with a philanthropic interest and the not-for-profit sector.

After retiring as a Principal and Executive Director of Goldman Sachs JBWere, John has devoted more time to both his family's interests in private philanthropy and broader education through consultancy in the sector while still undertaking research and client advisory work for the Philanthropic Services team at JBWere. John serves on multiple Boards, including the Philanthropy Australia Council, in a fiduciary volunteer capacity and is the author of *The Cause Report - 20 years of (r)evolution in the not for profit sector* and co-author of *IMPACT – Australia: Investment for social and economic benefit*.

About JBWere

Established in 1840, JBWere is a specialised investment firm providing bespoke wealth solutions to New Zealand's most successful people, companies and non-profit organisations.

Working with and servicing charitable and Not-for-Profit (NFP) clients, has been a key cornerstone of the growth and history of JBWere over its 176 years of existence. In 2001, JBWere established a dedicated Philanthropic Services team to provide strategic advice and insight to NFP organisations, philanthropic individuals, families and businesses.

With charitable and not for profit client funds under management (FUM) exceeding \$1 billion, JBWere is a leading provider of services to the sector, with a deep understanding and appreciation of the importance of prudent management of investment assets for such clients. JBWere is wholly owned by National Australia Bank Limited.

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