

Financial Implications for NZ Clubs & Committee Members

Understanding fiscal responsibilities
within club leadership



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Why This Matters for Clubs



New Governance Standards

The Incorporated Societies Act 2022 imposes mandatory governance standards for club committees, increasing their responsibilities.

Increased Financial Accountability

Committees must understand solvency, monitor budgets closely, and document decisions for financial transparency.

Personal Liability Risks

Committee members face personal liability for reckless or uninformed decisions under new regulations (financial and non financial decisions)

Building Trust and Sustainability

Adopting best practices strengthens clubs' compliance, trust with members, and long-term resilience.

Incorporated Societies Act 2022

Key Financial Implications



Mandatory Re-Registration

All societies must re-register by 6 April 2026 to maintain incorporated status under the new law.

Tiered Reporting Standards

Societies must adopt reporting standards based on size: Tier 4 (cash), Tier 3 (accrual), Tier 2 (GAAP with reduced disclosures), or Tier 1 (GAAP) standards.

Officer Duties and Liabilities

Officers must act in good faith, ensure diligence, document decisions and declare conflicts to avoid personal liability.

Improved Transparency and Trust

The Act aims to enhance accountability, transparency, and trust within societies through robust financial governance.

Financial Reporting Requirements

Understanding Reporting Tiers



Tier 4 Reporting

Tier 4 applies to societies with payments under \$140,000 using simple cash-based financial reporting.

Tier 3 Reporting

Tier 3 covers most clubs with expenses over \$140,000 but under \$5 million, requiring accrual-based financial statements.

Tier 2 Reporting

Tier 2 applies to larger organizations needing GAAP-compliant statements with reduced disclosures. Expenses between \$5 million and \$33 million.

Tier 1 Reporting

Tier 1 applies to larger organizations needing GAAP-compliant statements with full disclosure. Expenses over \$33 million.

Compliance and Accountability

Committees must confirm tiers annually and file statements timely to avoid compliance risks.



Inland Revenue Update

Implications for Clubs

Tightening Tax Rules

Recent reviews signal stricter application of tax rules impacting clubs' income from non-member activities like bar and food sales in addition to other revenue streams.

Membership Subscriptions

Review suggested that Membership is also outside of the Mutuality Principle on the basis that Clubs cannot distribute to their members.

Proactive Financial Planning

Early review and advice can help clubs avoid liabilities and maintain financial sustainability amid new regulations.



Best Practice

Checklist for Every Meeting



Financial Solvency Checks

Committees must verify their ability to pay bills on time to maintain financial health and solvency.

Budget Review and Variance

Reviewing actual results against the budget helps committees understand financial performance and variances.

Conflict of Interest Declarations

Declaring and recording conflicts of interest ensures accountability and transparency in decision-making.

Proper Meeting Minutes

Accurate recording of key financial decisions in minutes supports good governance and oversight.

Checklist for Annual Review



Verify Financial Reporting

Confirm correct reporting tier and timely preparation and filing of financial statements each year.

Review Reserves and Funding

Evaluate reserves and funding strategies to ensure financial sustainability and manage tax exposure.

Support Treasurer and Committee

Share responsibilities across committee members to support the treasurer and prevent burnout.

Ensure Compliance and Governance

Annual reviews assure compliance with legal obligations and align governance with financial realities.

Summary and Next Steps



Regulatory Compliance Deadlines

Committees must re-register under the Incorporated Societies Act 2022 by 5 April 2026 to remain compliant.

Financial Reporting and Tax Changes

Understanding tiered financial reporting and preparing for tax changes is essential for club sustainability.

Best Practices in Governance

Good governance is practical; using checklists for meetings and reviews embeds accountability effectively.

Professional Support Importance

Seeking early professional advice helps prevent costly mistakes and supports confident navigation of changes.