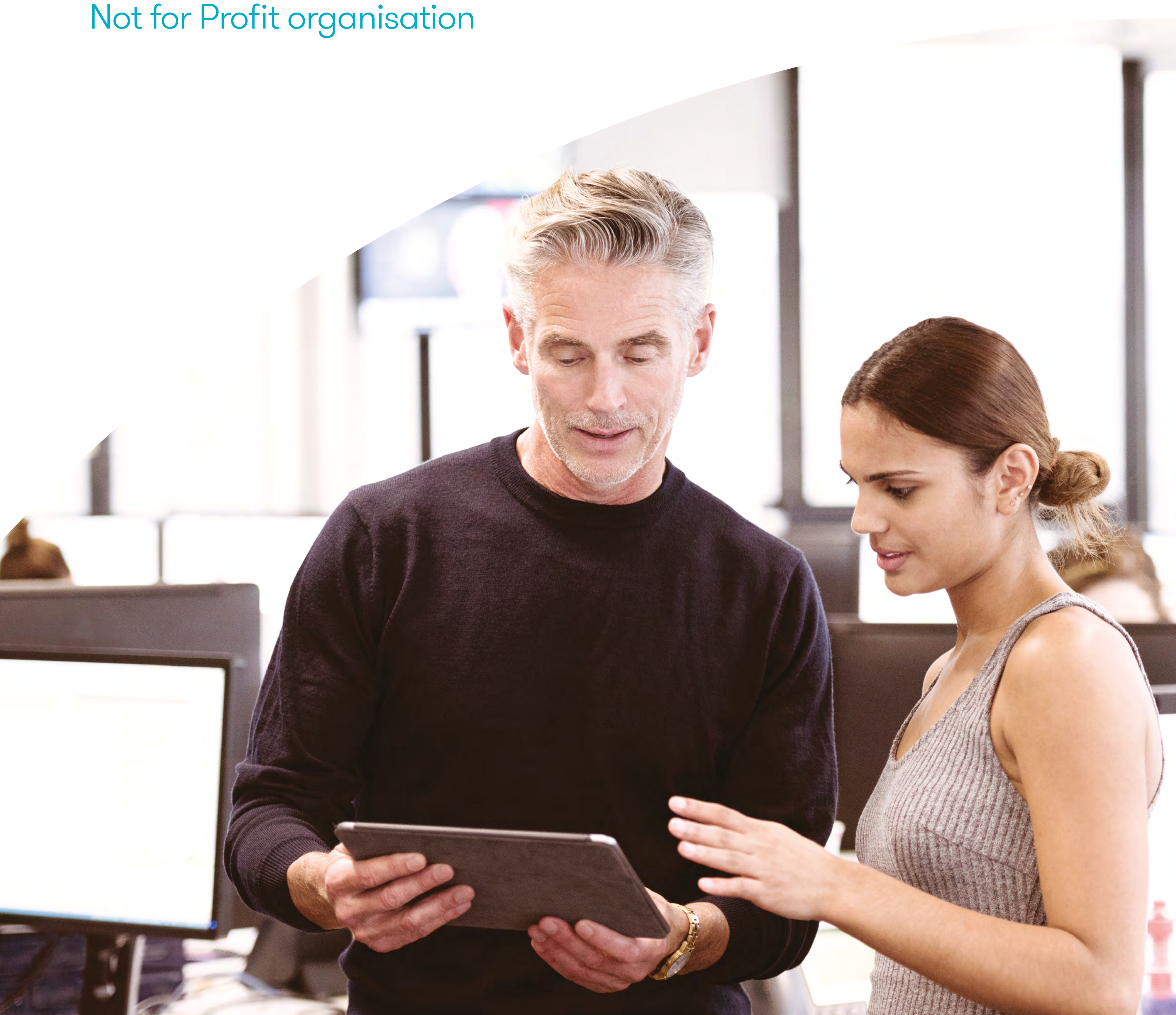
Financial reporting in a COVID-19 environment

Practical considerations for your Not for Profit organisation



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Foreword

Charities across the country are now working in an environment that is completely different to the one they were in just months ago as the COVID-19 pandemic continues to impact their daily operations. In such uncertain times, now more than ever, communities will be looking towards charities to do what they do best and provide support to those in need, particularly the most vulnerable members of our society.

The virus and measures taken to contain it have undoubtedly impacted financial and economic activity. This has several accounting ramifications that charities will need to carefully consider when preparing their annual reports and financial statements for 2019 and 2020 year-ends.

For those charities with a 31 December 2019 year-end (or earlier), the emergence of new information about COVID-19 and its impact is a non-adjusting event for the financial statements. However, disclosure of the nature of the events and their financial effect is still required. For those with year ends between December and March, there will be significant judgment and uncertainties regarding what was known at the reporting date, however for reporting dates of 31 March 2020 onwards, COVID-19 is an adjusting event and therefore the effects must be taken into account in measuring assets and liabilities wherever relevant. Further details are provided later in this guide.

The aim of this guide is to indicate key areas that management and governing bodies should consider when assessing and reporting the impact of COVID-19 on the charity. Every charity will be affected in different ways and will need to make their own assessment of the impact on their financial statements. However, we have identified some of the key challenges for the sector, along with the potential financial reporting and regulatory implications, to support preparers of charity accounts navigate through some of these key issues. We have also included a number of useful links to other resources for charities.

We hope that you find our report insightful and helpful when preparing your charity accounts in this new reality.

Operational challenges

Operational challenge	Financial reporting/regulatory impact
Ability to fundraise, including events being postponed or direct debits/memberships cancelled by donors	**Fundraising income and regulations:** Charities will need to consider the likelihood of future events taking place and whether income/donations received in advance will need to be refunded. Any decisions made should be clearly documented and reviewed in line with Charities Services; these decisions also need to be in line with the reporting standards. Those charged with governance should also be consulted about any significant decisions made.
Closure of charity shops	**Stock value:** During the lockdown period in New Zealand, charity shops were temporarily forced to close down. Charities will need to consider whether at the reporting date the value of stock needs to be written down, particularly for those charities which sell items with shelf-lives or with conditions which might make them unsaleable, or products that have a reduced value now that shops have re-opened. Charities will need to assess the carrying value of this stock to determine whether any impairment loss should be recognised. **Onerous leases:** Where the commercial premises are not owned by the charity and are being rented, charities will need to consider whether an onerous lease provision is required. This is equally applicable to any other leasehold properties the charity might have that may not be in use for the foreseeable future.
Access to beneficiaries with social distancing measures in place	**Safeguarding, use of volunteers and good governance:** This is clearly a significant issue for charities, both due to lack of available staff and social distancing measures. It is essential that safeguarding is a priority when considering any new methods of serving beneficiaries, for example, through using video calls or increasing the number of volunteers. Social distancing inevitably makes it harder to maintain effective governance and strong internal controls, but this should remain a priority. Where necessary any physical checks should be replaced with virtual ones. Where charities have made changes to their operations in line with service performance reporting, charities may be required to report details of its activities as part of the statement of service performance report. This would be appropriate for both existing Tier 3 and 4 reporting as well as planned reporting for Tier 1 and 2.
Increase in demand from beneficiaries both in the short and long-term	**Financial sustainability and use of reserves:** This is clearly the greatest challenge for the majority of charities, where their resources and funds are depleted but demands for their services are significantly increasing. Not for Profit organisations will want to support their beneficiaries as best as they can, however it is essential to consider the long-term future of the charity and ensure that reserves are not depleted to levels that put them in danger of insolvency. Priorities need to be established and strategies will need to be re-worked to ensure that all available funds continue to be used efficiently. In extreme circumstances, some charities may be considering using restricted funds for other purposes. There may be ways of amending these restrictions, for example by speaking to the original funder, however careful consideration needs to be made when doing this and legal advice may be required. Any changes in charities' reserves policies will need to be clearly documented in the annual report. Charities may also consider selling financial investments. However due to COVID-19 these are likely to have reduced in value significantly and therefore alternative solutions may need to be considered; some examples include obtaining low interest loans or grants, collaborating with other charities or using some of the Government's support schemes, before drawing down on these.
Postponing research and other significant projects	**Grant income:** For any grants received or due to be received, charities will need to re-assess whether they can fulfil the performance measures or requirements for these, particularly where the charity's activities have had to be adapted to the current circumstances and resources re-allocated. These might include achieving certain levels of output or using the grant within a specified time-period, which may no longer be possible. If this is looking unlikely, charities will need to speak to funders to establish whether any extensions or amendments can be made to the existing agreements; if this is not possible, then charities will need to re-assess the recognition of these grants in their financial statements.

Significant financial reporting issues

COVID-19 is likely to have a significant impact on a number of areas in the annual report and financial statements, some of which we have highlighted earlier in this guide. However, there are a number of other significant areas to consider:

Annual report

Additional disclosure is likely to be required around COVID-19 in most areas of the annual report, including the impact on main achievements, future plans, volunteers, fundraising, governance, principal risks and uncertainties, financial review, going concern and reserves.

Charities are not expected to predict the ultimate extent and duration of the pandemic or its wider impact on the economy. However, it is reasonable for stakeholders to look to charities to use best endeavours to explain the specific known impacts on their organisation to date as well as the anticipated future impacts under different scenarios. The specific areas affected by uncertainty are discussed below in more detail, however we would expect that many charities will have to reconsider their strategies and outlook going forward given the significant impacts of COVID-19. Further, the pandemic and various government measures imposed have likely put significant pressure on governance processes in discharging their fiduciary duties.

Accordingly, apart from the specific areas detailed below, we would expect the annual report to include detailed and specific explanations of the current impact of COVID-19, how the governing body have responded and the resilience of the organisation in the face of longer-term uncertainty.

Future plans and activities

This is an area which will require significant consideration by charities as strategies are likely to have changed significantly from those previously agreed and planned for. As noted above, charities are not expected to predict the ultimate long-term impact of the virus, however disclosure is required regarding the current impact as well as the anticipated future impact and how their strategies have had to change in light of the current pandemic.

Financial review

Consistency between the front-end narrative reporting and amounts recorded in the financial statements, as well as the adequacy of disclosures made in the financial statements will be of vital importance. Charities will need to ensure that disclosure regarding significant movements in amounts recorded are explained clearly and identify what, if any part, of the movement is due to the impact of COVID-19.

Those with year-ends after December 2019 - when the virus had taken hold - are likely to see a much greater impact on the amounts recorded in the financial statements.

Reserves

Within the financial review, the charity must explain their policy for holding reserves, state the amounts of those reserves and why they are held. This is an area which is likely to be affected quite significantly by the pandemic and some charities may have to reduce their reserves to below their original target level. Any reduction will need to be explained clearly with some justification as to whether the charity is still financially viable with a lower level of reserves.

Principal risks and uncertainties

Stakeholders will be especially interested in the charity's risk assessment regarding the impact of COVID-19 and the actions the charity has taken or is planning in response to the pandemic. Reporting on the principal risks and uncertainties should be closely linked, and where possible referenced to all areas of the financial statements where uncertainties around COVID-19 are likely to have an impact on the charity.

When disclosing principal risks and uncertainties, charities should consider the specific resources, assets and relationships that are most at risk, and the mitigating steps being taken to protect them. The principal risks and uncertainties would be expected to include the aspects which may be crucial to a charity's ability to withstand the various market and operational disruptions, and rebuild when the opportunity arises. For example, risks and uncertainties arising from the potential loss of key employees or key funders, or donors, who have a crucial role to play in ensuring the charity can sustain and rebuild.

Governance

Social distancing measures and staff absences are likely to have had an impact on how effective governance has been maintained. Charities will need to disclose how their governance has been affected and what mitigating actions they have put in place to address any risks identified.

Those charities which have chosen to adopt a Governance Code are encouraged to explain if they have been unable to follow any of the principles of the Code, which is more likely in the current circumstances. Although the Code is not a regulatory requirement, it uses a basis of "apply or explain" to encourage transparency and to explain to stakeholders why they have either chosen not to follow a certain principle or where they have been unable to follow it.

Going concern and liquidity

Going concern and any associated material uncertainties will need significant consideration and may have an impact on both the audit report, narrative reporting and accounting policy disclosures in the accounts. In the most severe situations, the appropriateness of the going concern basis for accounting may need to be reviewed.

Some key areas to consider around going concern are:

- **Material uncertainties:** PBE IPSAS 1 states, *"When preparing a financial report, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of the financial report. Financial reports shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial report are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial reports are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern".*
- **Forecasting:** Any forecasts will need to be revisited in light of the current circumstances as well as a variety of sensitivities and stress testing performed. This stress testing should be done using a "reverse stress testing" strategy. This means that rather than starting with a scenario and looking for the outcome, charities should start with the outcome and look for severe, but possible, scenarios that might cause this outcome to occur. This will allow charities to identify their areas of focus and work on developing strategies to mitigate the severe scenarios from occurring. Charities should also ensure that these go beyond the 12 months after the date of approval of the financial statements and that they are based on cash flows. If any Government support schemes are included in forecasts, these should only be included up to the point that the Government have committed to date.
- **Covenants:** For those charities with year ends at the start of the 2020 calendar year or at 31 December 2019, loan covenant breaches due to COVID-19 are unlikely. However, the impact of the pandemic may result in covenants being broken in subsequent periods. Therefore, this needs to be taken into account when assessing going concern and ensuring that there is appropriate waiver documentation in place to support the going concern assumption as well as loan classifications, where relevant.
- **Financing:** Charities will need to consider whether any financing or refinancing will be impacted, and if so, what impact this may have on the accounts in terms of loan disclosures and also on any capital commitments which are dependent on finance from external sources.

Significant judgments and estimates

Many areas of the annual report involve management's judgments and assumptions as of the reporting date. It is a time of great uncertainty and therefore any disclosures on significant judgments and estimates will need to be sufficiently detailed and updated to reflect the current situation and any changes in underlying assumptions and sources of estimation uncertainty.

Careful consideration should be given to areas where management has made assumptions and taken judgments which are highly sensitive and could result in impairment of assets for instance.

Legacy income

For a period, we are likely to see difficulties and delays in the valuation of legacies due to uncertainties in the investment and housing market as well as delays in the administration process of distributing the amounts included in wills due to social distancing measures and staff absences. This is likely to have a knock-on impact on the time it takes for charities to receive confirmation regarding the probability of receipt.

Any amounts accrued will need to be reviewed to ensure that the valuation and probability of amounts recorded has not changed. Those applying any mathematical modelling under the portfolio approach will need to pay attention to the key inputs and sensitives used in the modelling and that it reflects current conditions.

Charities will need to review their accounting policy for recognising legacy income to ensure that it remains appropriate in light of the current circumstances.

Income from donated goods, facilities and services

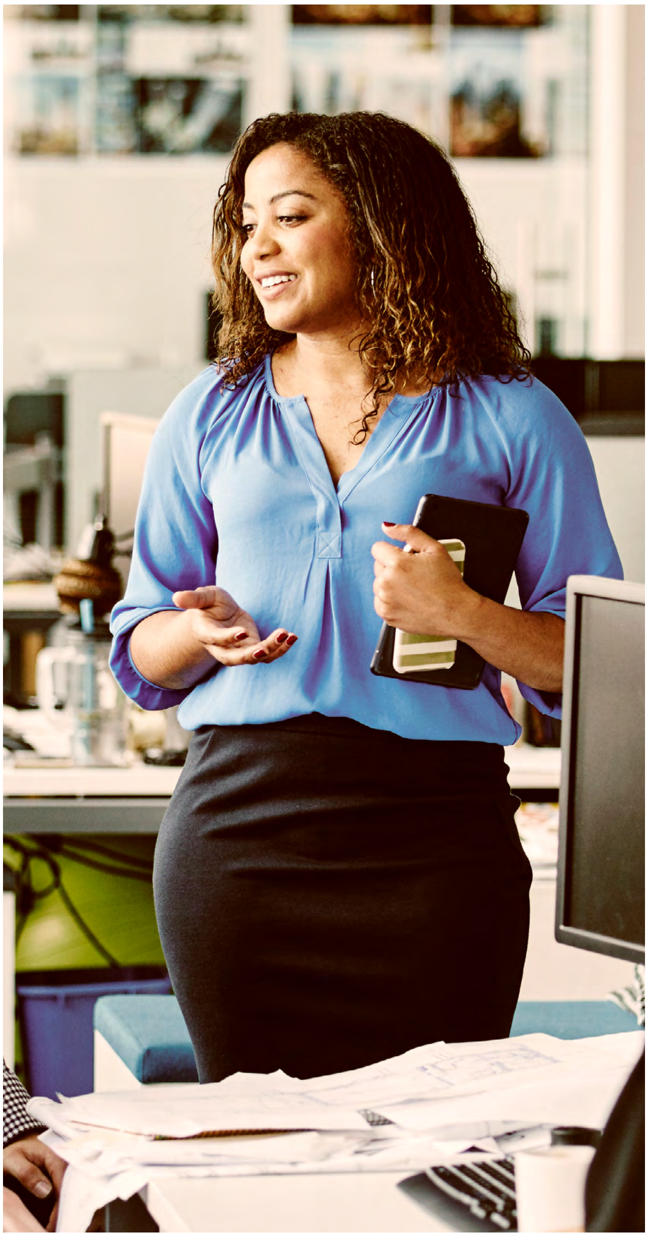
For charities receiving a significant amount of donated goods, facilities and services, the valuation of these will need to be reviewed to assess whether there has been any change in light of the current circumstances, and that the valuation method used remains the most appropriate method. This will not impact those goods recognised on their sale as the income will be valued at whatever the sale value is.

Grant commitments

Charities may need to postpone grant commitments or change the amount of a grant already committed to at year-end due to the impact of the pandemic. In terms of accounting for grants, charities need to consider what was communicated to the grant recipient at the reporting date and what information management had at that point. Careful analysis and judgment is required depending on the facts and circumstances together with understanding the conditions that existed at the end of the reporting period.

Anything agreed to post year end is more likely to be a non-adjusting event. For example, if a grant recipient confirmed after the year end that they were happy to receive half of the amount of the grant that had been communicated to them before the year end, then the full amount of the grant liability should still be shown in the financial statements of the charity. This should be accompanied by a disclosure of a non-adjusting post balance sheet event note explaining that only half of that grant liability is payable after the year end, due to an agreement with the recipient.

During the year there may also be the situation where a grant offer may have been made but there is uncertainty as to whether the recipient charity will be able to carry out its project plan due to the impact of the virus. PBE IPSAS 19 defines contingent liabilities as, *"(i) Possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or service potential; or (ii) Present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made)"*. This means that if it becomes clear that the payment is possible but not probable, then a liability for the commitment should not be recognised. Instead, the funding commitment should be disclosed as a contingent liability.



Impairment

There are many areas of the financial statements which will need to be assessed for impairment considering the financial impact of the pandemic. At each reporting date, a charity's governing body must assess whether there is any indication that an asset may be impaired.

To put this into context for the charity sector, we have highlighted some key areas below where impairment assessments may be necessary in the current climate.

- **Tangible fixed assets:** Many charities are currently going through a period of significant disruption as a result of lockdown as well as changes in the wider external economic and financial markets, which has caused significant changes to their operations, therefore undoubtedly charities may be holding assets which become less utilised.

  Further, it is important to note that where demand for a charity's services significantly decreases or ceases, the assets used to provide those services may be impaired. Similarly, major social, demographic or environmental changes may have an impact on the number, nature or needs of a charity's beneficiaries and may therefore also provide an indicator of impairment.

  PBE IPSAS 21 and 26 require cash and non-cash generating assets to be impaired if their carrying value exceeds their recoverable amount, with the recoverable amount being the higher of fair value less costs to sell (FVLCTS) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

  It is not always necessary to determine both an asset's FVLCTS and its VIU; if either amount is equal to or exceeds the asset's carrying amount, then the asset is not impaired. The method used to determine the VIU of an asset held by a charity will depend on whether the asset is cash generating or non-cash generating assets.

  It is important to note that many charities hold assets primarily to provide services to their beneficiaries rather than for generating cash flows. In such circumstances, it would be inappropriate to measure VIU by reference to the asset's cash flow; alternatively, it can be measured as the present value of the asset's service potential.

  This is an area of significant management judgment and detailed consideration will be required for each charity given its own set of facts and circumstances.

- **Heritage assets:** In line with PBE IPSAS 27, heritage assets are required to be *"recorded at cost unless the asset is acquired through a non-exchange transaction, then the cost is required to be measured at its fair value as at the date of acquisition"*. Under both methods, a heritage asset must be reviewed at the reporting date for impairment where there are indicators of impairment. Where the recoverable amount of an asset is less than its carrying amount, the charity shall reduce the carrying amount of the asset to its recoverable amount.

  The XRB states that impairment may be due to physical deterioration, breakage, new evidence giving rise to doubts as to its authenticity, or other factors. In the current climate, the indicators of impairment are likely to be much wider and manifest in a number of ways through the external and internal sources of information.

  Furthermore, the reliability of valuations is affected by the volatility of the economic environment and various markets, including the property market. On-site valuations are hard to achieve with social distancing measures in place. For those under the revaluation model, there is a possibility that some valuations will be issued with 'material valuation uncertainty' declarations, which could potentially result in modified audit opinions, where auditors are unable to obtain sufficient appropriate audit evidence.

  Charities therefore need to ensure that disclosures regarding valuations are sufficient for readers of the accounts to understand any estimates/judgments involved in determining the valuation at the year end.

- **Investment properties:** As with heritage assets, due to the current government advice regarding social distancing and uncertainty around the housing market, charities will need to ensure that all property valuations are using the best estimates possible. Sufficient disclosure should be given regarding any assumptions that have been used, particularly in cases where assumptions have been used as an alternative to on-site inspections.

- **Investment in joint ventures/investment in subsidiaries:** Some charities have complex group structures and will need to consider whether the impacts of COVID-19 (including any measures taken to control it), are an indicator that the investments in joint ventures/subsidiaries are impaired.

- **Debtors and other short and long-term assets:** Charities will need to review amounts due from third parties to assess whether they are still recoverable, taking into consideration the financial situation of the third party. If issues with recoverability are identified, they will then need to establish whether any provision is required against these balances.

Employee benefits such as holiday pay accruals, sick pay and termination costs

Charities will need to consider whether additional provisions and disclosures are necessary due to employee layoffs and other employee related items as a result of COVID-19.

Termination costs: Under PBE IPSAS 25 paragraph 155 and 156, termination benefits should only be recognised when the entity is demonstrably committed to either:

a terminate the employment of an employee or group of employees before the normal retirement date; or

b provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. An entity is demonstrably committed when a detailed formal plan has been in place and is without realistic possibility of withdrawal.

Related party disclosures

At times like this, there may be increasing support provided to charities from related parties, particularly if they are struggling financially and/or have increased demand from beneficiaries. An example of this may be where the governing body chooses to give additional financial support to the charity. Charities should ensure that they follow good governance around any transactions with related parties and follow the disclosure requirements in line with PBE IPSAS 20 or other applicable standards.

Investments

Financial markets across the world have been very volatile due to the current uncertainty surrounding the economic impact of the pandemic. Many charities hold significant financial investments and the value of those is likely to be reduced. This will have a knock-on effect on total net assets and any charities with loan finance will need to consider whether this has an impact on any of their covenants. It will also have an impact on the valuation of defined benefit pension schemes as discussed below.

Pensions

The fall in the value of investments will affect the valuation of defined benefit pension schemes overall and in some cases, charities may see a noticeable increase in their defined benefit pension deficit. Some actuarial methodologies may also traditionally use 'estimated' investment valuations to determine the year end fund asset position, however due to the volatility of the financial markets, where possible actual investment values (i.e. the asset valuation as at the year-end) should be used. Using any estimated asset valuations increases the likelihood of a significant misstatement in the overall defined benefit pension scheme position at the year end.

Distributions paid (via dividends) to a charitable parent association from trading subsidiary

Where charities have trading entities, it is important to consider the company law requirements for the directors of the trading company making the distributions. Directors should ensure there are sufficient distributable surpluses to make such a payment and also whether any distribution would put the company into financial difficulty going forward.

Post balance sheet events

As at 31 December 2019, there were a limited number of cases of a virus reported to the World Health Organisation (WHO). The subsequent spread of the virus, its identification as COVID-19 by the WHO and actions taken by Governments after 31 December 2019 do not provide additional evidence about the situation that existed at 31 December 2019. Therefore, for entities with a reporting date of 31 December 2019 (or earlier), the emergence of new information about COVID-19 and its impact is a non-adjusting event. The disclosure is still required for non-adjusting events regarding the nature of the event and estimate of the financial effect if possible.

For reporting dates in 2020, more information about COVID-19 and its impact will be known for reporting dates but very significant uncertainties remain. Careful analysis and judgment, with reference PBE IPSAS 14 or other relevant standards, will be required to determine whether information is 'adjusting' on the basis that it provides new evidence about the year-end situation, or is a non-adjusting event that should be disclosed.

We would encourage all organisations to consider all points when preparing their financial statements to ensure that they have considered all relevant information.

Government Support Schemes: the accounting implications

Hon Grant Robertson allocated $10 billion in Budget 2020 to help small businesses improve their e-commerce service offerings; this package includes grants and incentives for e-commerce implementation. The funding acknowledges the importance of e-commerce during times of disruption and will also go towards training for more digital advisers to support SMEs as they incorporate this technology into their business operations. The fund is supported by an additional $12.5 billion to advance the trans-Tasman e-invoicing programme.

Some of the business support schemes provided by the Government are also available to charities and/or their trading subsidiaries depending on the nature of their operations and funding. We have covered some of these in this section, and how they should be accounted for.

All of this will be in the form of 'grant funding' and should be accounted for as a Government grant. The table on the following page includes some detail about accounting for Government grants.

Note: Government support provided is changing regularly and the details of entitlement and how any claims will be settled are still being developed. However, if a charity believes that it can benefit from any of these support schemes, the governing body will need to determine when and how any such benefit should be reported in the financial statements.

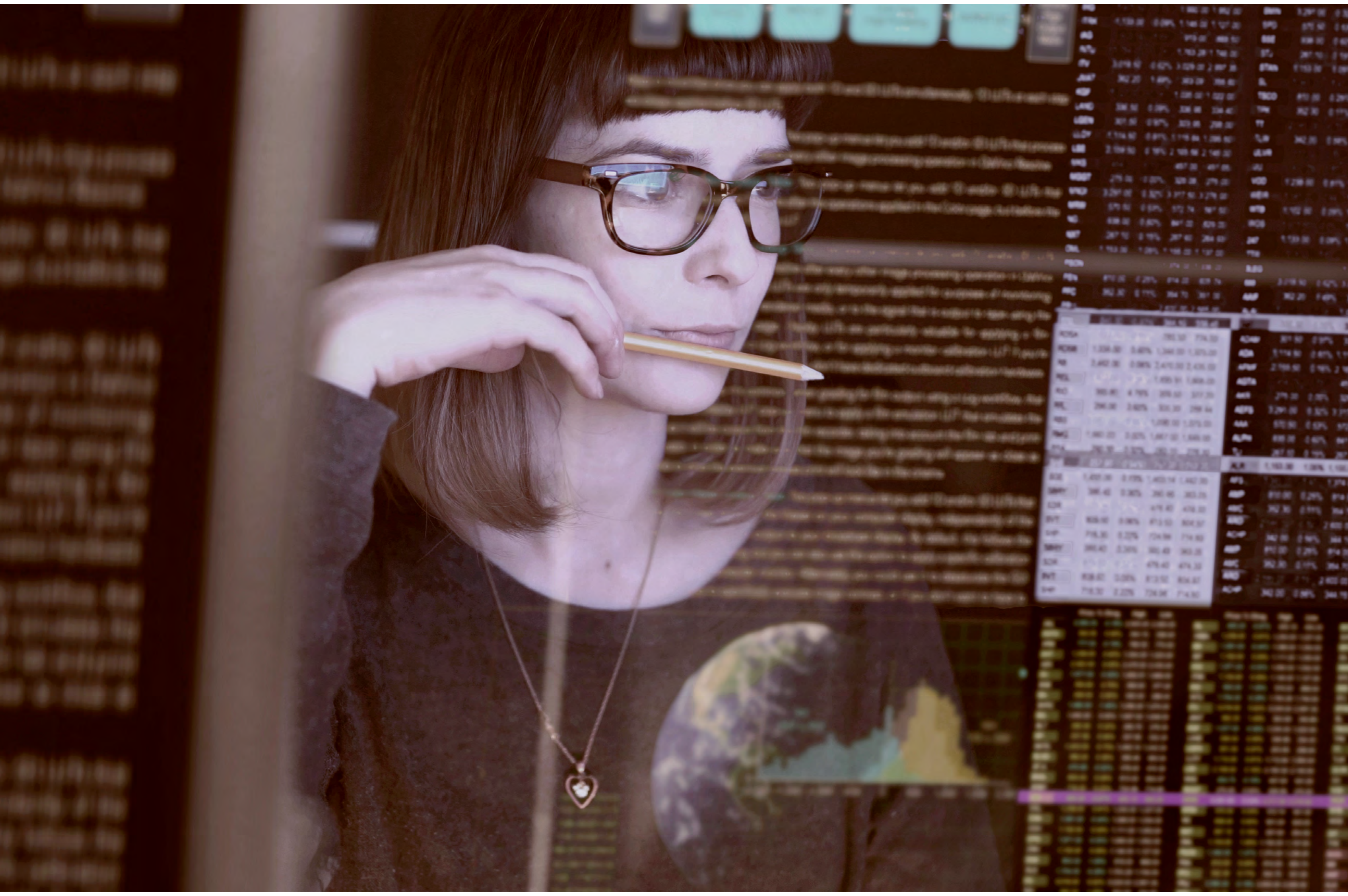
Government scheme	Accounting considerations
Wage subsidies and leave grants	**Government grants:** Government grant income should be recognised when there is evidence of entitlement to the grant income, receipt is probable, and its amount can be measured reliably. Evidence of entitlement is likely to be when the charity has made a claim and the charity has reasonable assurance that it can comply with any terms or conditions attached; for example, the employees being furloughed remain on the payroll for the period that the grant relates to. While this scheme is designed to reimburse staff costs, the Government grant should not be netted off against the related expense in the income statement, and therefore the grant should be presented gross. Here are some other matters to note: • The subsidy is not subject to GST and is non-taxable income in the hands of the employer • We suggest that you create a new code in the revenue section in your accounting system's chart of accounts called "Wage Subsidy Received" and make it a No GST code • When you start paying the subsidy amounts to employees through your payroll system, normal deductions like PAYE and KiwiSaver still need to be made • The wage subsidy portion of your payroll is also non-deductible for tax purposes, so we recommend setting up another code to capture this portion of your wage bill. This will help you easily track how much has been paid and the balance remaining

Cyber-crime issues in the current climate

Sadly, more instances of cyber-crime are occurring as fraudsters are taking advantage of an increase in online activity, and in some cases a weakening of controls. Charities Services have issued some information about the types of attacks that are occurring, and some guidance about how to prevent them. The most common cyber-attacks are:

- **procurement fraud:** Companies claiming to sell PPE and then not delivering the goods
- **phishing emails:** These often contain links to fake websites which can cause viruses or steal personal details/passwords
- **mandate/CEO fraud:** These involve official looking emails requesting changes to bank details for either suppliers/ employees
- **unsolicited goods/services/financial support:** These goods are never delivered and often require advanced fee payment.

As the majority of staff will be working online, it is of utmost importance that charities make all employees aware of the type of cyber-crimes that are prevalent, to be particularly vigilant, and to maintain strong internal controls.



Impact on audit work and the external scrutiny process

- **Audit approach:** Planned audit approaches are likely to change due to logistical issues as well as a heightened risk in several areas of the financial statements, resulting in additional testing being required. You may see an increase in the use of technology as well as more substantive testing, particularly if the operation of internal controls has been affected. Auditors and charities will need to work together to identify what alternative measures are possible in the current environment without reducing the quality of audit evidence.

  The amount of audit work and length of audits are therefore likely to increase significantly due to the impact on financial reporting, and it should be anticipated that there will be additional scrutiny over key estimates and significant judgments made by management.
- **Audit reports:** Due to the uncertainty of the long-term impact of the pandemic, there is a greater likelihood of audit reports being modified.
- **Audit committee meetings and other significant discussions:** Audit committee meetings may be impacted if physical meetings are still prohibited/advised against at the timing of the meeting. Audit committees will need to discuss with their auditors how best to communicate, holding virtual meetings where possible. There also might be the case where AGMs and other significant meetings have to be held virtually, postponed or cancelled. Charities Services has advised that governing body should ensure that any decisions made in this regard should be clearly documented with the reasoning behind the decision.
- **Filing deadlines:** Charities Services will not take action on any late annual returns and performance reports/financial statements, however charities are required to make contact to request an extension if the usual requirement of six months is not achievable. Charities Services will also not take compliance action against charities that breach their rules by not holding an AGM.
- **Reporting to the regulator:** If there is a significant financial and/or operational impact, charities will also need to consider whether a serious incident needs to be reported to the regulator, and if so, auditors are likely to also need to report a matter of material significance. However, Charities Services have amended their guidance for auditors/ examiners where a modified opinion, an emphasis of matter, or a matter identified by the auditor/examiner is solely due to the exceptional circumstances of the national emergency affecting the conduct of the audit or the independent examination; this is not considered to be reportable as a matter of material significance to Charities Services.

Early engagement with key stakeholders

In uncertain times, it is particularly important to be in constant dialogue with all key stakeholders. Some examples include:

- **Major funders:** For those organisations who are funded principally via grants that have restrictions and/or performance measures, it is definitely worth having a conversation with those funders to see whether any restrictions could be lifted or performance measures could be relaxed during these uncertain times. There are examples of this already occurring in the sector; this flexibility can really help organisations use all available resources to where they are most in need.
- **Valuation experts:** These specialists should be contacted as soon as possible to establish how they will obtain the most accurate valuation method, in light of the current uncertainty and with social distancing methods in place.
- **Lenders:** Early conversations should be held with lenders to discuss the possibility of amendments to covenants if they are in danger of being breached.
- **Actuaries:** Discussions with actuaries, engaged to support with defined benefit pension schemes, should be held regarding updates to the assumptions used and timing of their report, in order to obtain the most accurate valuation possible.

Further resources and guidance

The amount of constantly evolving information; we have included some key websites for guidance on both the operational and financial aspects that are being updated regularly.

Grant Thornton COVID-19 page

Grant Thornton New Zealand has a dedicated COVID-19 page, which covers a number of topics including: navigating government support, tax guidance, the resilience wheel, and guidance on how to minimize the coronavirus impact on your organsiation.

Charities Services

Charities Services have published a page of FAQs regarding COVID-19, which may be a useful resource for those charities with similar concerns.

NFPR

The Not for Profit Resource have a dedicated page about the pandemic.

XRB

The XRB have issued guidance about the financial reporting ramifications of COVID-19 covering some key areas including the impact on the financial reporting and audit procedures. This is relevant for both companies and auditors.

Work and Income

Although not specific to charity sector, Work and Income are continuously updating their advice on the impact of the pandemic.

Please note that this is a constantly evolving situation and therefore information included within this report may change over time.

Contact us

Across the globe, Not for Profit organisations are increasingly expected to deliver more, while facing the reality of cuts to government funding and voluntary giving. We understand the sector and help our clients to overcome these challenges and meet their goals.

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