

A hand is shown dropping a coin into a white cardboard box labeled "DONATIONS" in blue capital letters. The background is a solid blue color with several white, stylized sunburst or starburst patterns scattered across it. The text "Pitching for funds – making the story count as much as the numbers" is written in white, bold, sans-serif font, centered on the page.

Pitching for funds – making the story count as much as the numbers

Research by J B Were and Philanthropy New Zealand | Tōpūtanga Tuku Aroha o Aotearoa shows that 91% of donations and grants in Aotearoa New Zealand goes to only 9% of registered charities. Small charities often find it difficult to communicate their funding needs. In response to stakeholder feedback, the External Reporting Board has recently made it simpler for those organisations to create their annual reports. So just how important is the reporting of charities' annual financial results in supporting their fundraising pitch?

We spoke to four leaders in this space: Sue McCabe, Chief Executive Philanthropy New Zealand NZ; Robyn Scott, Executive Director JR McKenzie Trust; Emma Lewis, Executive Director of Nikau Foundation and Judith McKay, Trustee Grandparents Raising Grandchildren Trust. Each brought their own unique perspective on the sector and its challenges.

The significance of the annual report

Sue McCabe of Philanthropy New Zealand | Tōpūtanga Tuku Aroha o Aotearoa (PNZ) considers annual reporting an important source of standardised, baseline information prepared and shared by any charity. As the peak body for philanthropy and grant making, PNZ supports generosity, effective giving, and a strong philanthropic eco-system. As well as providing annual report information for the Charities Register, Sue says it's a useful guide for donors and organised funders. She argues that a robust annual report should lessen the need for more detailed information.

"We need to reduce the demands of specific and bespoke reporting, while allowing the opportunity for charities to tell their own story, in their own way. It's helpful that there's flexibility in the Statement of Service Performance, that the XRB isn't being too prescriptive."

But she believes a tension exists. While there's power in consistent reporting, funding is challenging because problems have a myriad of solutions and not everyone understands the diversity of the sector.

"It's beautifully complex, as it should be, because charities are trying to solve the most complicated social problems. They're trying to solve the same problems that government departments are set up to face."

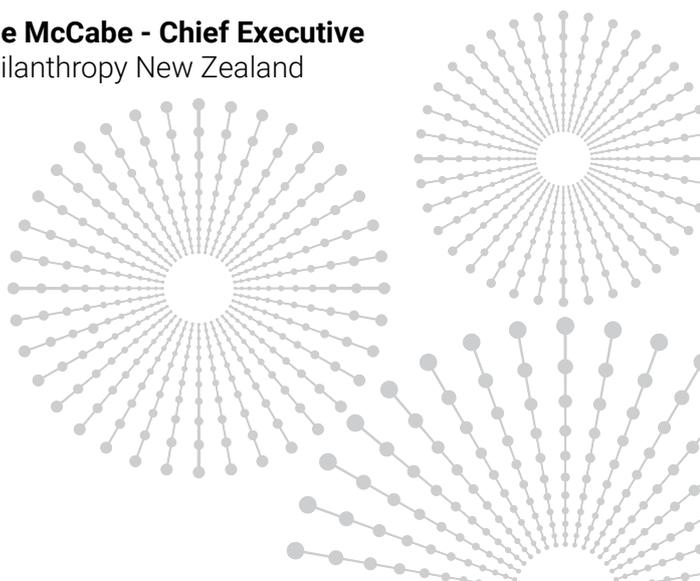
If you look at any issue, there are a lot of causes, a lot of symptoms, that show up differently for different people. And therefore, there needs to be a range of solutions so there's definitely no 'one-size-fits-all,'" says Sue.

"Charities are trying to solve the most complicated social problems. They're trying to solve the same problems that government departments are set up to face.."

Sue McCabe



Sue McCabe - Chief Executive
Philanthropy New Zealand



Emma Lewis, Executive Director of Nikau Foundation, agrees. Supporting the Greater Wellington region, Nikau Foundation is one of 17 community foundations in NZ. It is not only a grant maker, but a fundraiser as well as investor. Emma says community service providers are experiencing more multi-faceted need and greater diversity than ever before.

“For example, where once the need may have been for a foodbank, we’re now seeing people who are facing food insecurity, who are also struggling with mental health issues and the challenge of supporting multiple generations in a household.”



In this testing environment, the funders we spoke to cite the annual report as one tool in their funding decision making basket, but not the whole kete. Depending upon how well it is presented, funders say it can drive 3–50% of the assessment process.

The JR McKenzie Trust is a philanthropic family trust that has been grant making since 1940. It funds in accordance with its vision of a socially just and inclusive NZ and its goal is to shift the conditions that are holding inequities and exclusion in place. For Executive Director, Robyn Scott the annual report is one of the documents the Trust reviews when assessing an application.

“We would always want to ensure values alignment in all the organisations we choose to fund. Establishing that via an annual report might happen in 40% of cases because there are a variety of ways of finding that information. We tend to use the annual report at the first stage of assessment, the Expression of Interest. It’s an upfront document that helps us decide whether to get into a relationship with an organisation.”

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The financials funders scrutinise

Emma Lewis and Chief Financial Officer, Denisa Calian outline the financial data Nikau Foundation considers key. They will always look at an organisation's reserves, so Denisa welcomes new further disclosures on the Restricted/Discretionary reserves.

"A lot of the organisations we fund fall in the Tier 4 category and I would have liked to see a mandatory Ability to Continue to Operate Note introduced to these standards. As funders, we need to know that the entity can exist for the foreseeable future before we make our grant decisions," Denisa says.

On the liabilities front, Emma says the involvement of second tier lenders (often at higher than normal interest rates) would raise concerns. She also points out that annual reports are generally a year old by the time they're reviewed and so have their limitations as an information source. Applying educated judgement to the profit and loss statement is critical, Emma argues, especially as to whether any surplus or deficit is appropriate or too great, a regular occurrence or a one-off.

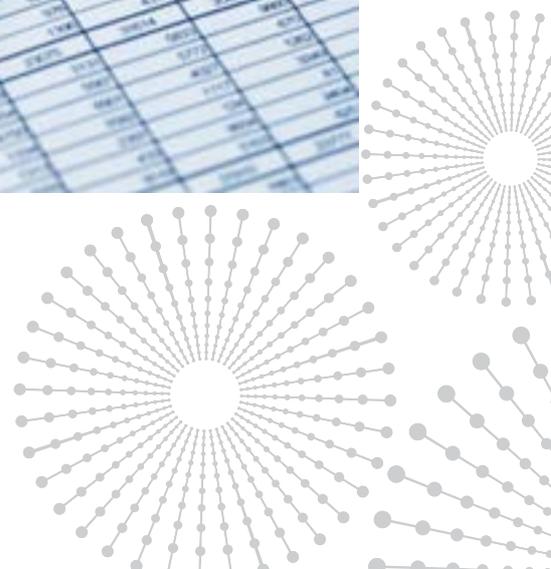
Sue McCabe could not agree more. She says there's a massive need for greater understanding of the diversity of the sector and for donors to be better educated about the work of charities.

"To use a very commonly discussed example, people say 'Oh I hope that charity doesn't have huge overheads' when overheads are completely necessary and not implicitly bad in themselves. Through the reporting you can see what the charity is spending money on. Sufficient overheads are required to run an efficient and effective organisation. Having a very narrowly defined interpretation of impact (non-financial success) is another example, when sometimes that impact could be intergenerational. So it's not simplistic."

Common problems Denisa sees include a lack of disclosure on related party transactions, on whether the organisation can continue to operate, on donated services and the quantification of these. There can also be some inconsistencies in reporting especially related to volunteers.

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Sue McCabe



Storytelling and the Statement of Service Performance

The Statement of Service Performance (SSP) is an explanation of what was achieved over the course of the year, ideally supported by data. It is part of the External Reporting Board's simplified reporting for charities. Sue McCabe says it's helpful that groups are being supported to provide useful information, but there needs to be flexibility as to how they answer those areas. She points out that it is still hard for some groups to communicate.

"You might have English as a second language, you might have people who are more verbal in their communication abilities. It's always a challenge for any system to accommodate that. We have a system which rewards certain things therefore there is always tension. A key thing there is the support available to community groups to complete the report," says Sue.

For Nikau Foundation, which is fundraising as well as grant making, the SSP has a valuable role in securing donations. The foundation evaluates its own performance as a funder by asking charities about their experience as well as how the funds were spent, then reports on that in its own SSP.

"We want to demonstrate our position as a grant maker and our expertise in the sector," says Emma.

The Grandparents Raising Grandchildren (GRG) Trust is a [Tier 3](#) charity for reporting purposes. Its annual report was recently highly commended by Chartered Accountants Australia and New Zealand for embracing reporting requirements and innovative stakeholder communications. For trustee Judith McKay, the annual report and its SSP tells the organisation's story, and she says that's critical.

"It's hard to get onto some funder's list of priorities. Annual reports are most important in attracting new funders. We're 22 years old and have a history with many established funders, but we don't have long term endowments so there's an enormous workload in fundraising each year."

Judith explains the average donation that GRG receives is around \$26,500 and it's exhausting to raise those funds year after year. Like the JR McKenzie Trust, GRG is seeing burnout among volunteers.

The GRG Trust provides information, advice, support and advocacy for full-time grandparent caregivers and sadly sees 500 new grandchildren each year needing care.

"There's a story to be told there. The values statement in our annual report is absolutely vital, that children are our taonga. We often remind ourselves that everything we do is for those babies. But we're one of thousands of charities out there and every one of them has a good story to tell," says Judith.



Judith McKay - Trustee
Grandparents Raising Grandchildren Trust



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Not all stories are equal

A real issue that funders, the peak body and charities all point out, is inequity in the grant making system.

“We’re acutely aware that a lot of organisations are predominantly voluntarily run. We know that they’re time poor and don’t always have fundraising expertise. The experienced social worker can often be the one who’s up at 8 o’clock at night filling in the funding application. The difficulty is that they’re up against a fundraiser who knows what boxes to tick,” says Nikau Foundation’s Emma Lewis.

She says funders need to lean in and ask more questions when they’re not getting the information they need, instead of making charities jump through hoops. Community organisations are under considerable pressure and funders need to make sure they don’t make things even harder for them.

While funding can depend upon whose story can attract the greatest attention, and help might be found to write it, the annual report is just one part of the challenge for community groups, according to Sue McCabe of Philanthropy New Zealand.



Emma Lewis - Executive Director
Nikau Foundation

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“Reporting can increase inequality if there’s no support around it. It’s helpful to make reporting simpler but that’s not where it ends. It’s a useful steppingstone to consider the community voice in decision making and make improvements, as one piece of the jigsaw puzzle “ Sue says.

The JR McKenzie Trust is implementing a change strategy to operate and fund in ways that shift the conditions that are holding inequities and exclusion in place. Like Nikau Foundation, it wants to reduce what can be a negative and competitive environment for charities, moving from a-them-and-us scenario to stronger relationship-based funding.

“As a principle it’s great that [reporting is simpler](#). The adjustments that have been made for Tier 3 and [Tier 4](#) are fantastic. The provision of support would be a great way to address inequality,” says Trust Executive Director Robyn Scott.

The funding puzzle

The reason funders estimate annual reports can account for as much as half the assessment process or as little as 3%, is that it depends upon what the charity does with that annual report.

“First, you’ve got to be able to provide good reporting, then there’s leveraging that. What good is reporting if no one sees it, or you can’t put it on your website, if you don’t know which funders to go to or how to wrap other storytelling around that reporting? The support for charities to do the reporting and then leverage it is just not there. This is the difference between compliance and reporting actually being useful to charities themselves, not just for government and the IRD,” says Sue McCabe.

Sue is in a position to see reporting as part of the wider charitable funding ecosystem. She believes mechanisms that connect funders with charities; funders’ ability to make informed judgements and community voice into decision and policy making are all required for a well-functioning environment.

“We need a healthy ecosystem and reporting is one part of that. The healthier the ecosystem the more valuable the reporting will be.”

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Robyn Scott



Robyn Scott - Executive Director
JR McKenzie Trust

The JR McKenzie Trust provides a value-added payment for organisations receiving an impact grant which can be used to understand the difference they’re making, to develop their own story and equip them to share it. Together with its stakeholders, the Trust has produced an insights report articulating its own best practice in how and what to fund.

Robyn Scott says charities need to be able to report what’s important to them and their stakeholders.

“Sometimes we feel we’re not reporting what matters, but what auditors can count. Reporting what matters is looking at outcomes and what was learned. There’s been an inclination over the years, especially by governments and philanthropics to ask for reporting that can be burdensome, time consuming and not necessarily serving a useful purpose. There’s very little funding for organisations to evaluate and understand their own impact, so that they can tell their story effectively to their own stakeholders,” says Robyn.

What's at stake

“Simplified reporting and support for reporting is great as one step towards having a healthy community sector, which is absolutely vital for New Zealand because of the role that charities play.”

Sue McCabe

It's been [reported](#) that some \$1.5 trillion dollars could be inherited or donated to charities in New Zealand over the next two decades from the intergenerational transfer of wealth. If charities are to capture their share, clear and effective annual reporting will be vital. But Sue McCabe says we don't know how much is given each year, and without that it's hard to make the most of the wealth transfer. That raises the conflict between making reporting simpler and receiving the data required.

“Simplified reporting, support for reporting is great as one step towards having a healthy community sector, which is absolutely vital for NZ because of the role that charities play in all sorts of social, and environmental and economic outcomes. Then we need to care about the whole picture instead of people caring about bits. That would make the money invested in different bits go further.”

