PURPOSE WORDS IN AOTEAROA NEW ZEALAND

Parry Field Lawyers

To the heart of what matters.

About Parry Field Lawyers

We are one of New Zealand’s leading law firms supporting purpose-led and mission focused organisations that range from charities to companies, entrepreneurs, and impact investors, as well as those with hybrid structures that combine approaches.

Our Impact Team works across the country providing free training, resources, articles, and videos to empower the ‘for purpose’ sector and we have almost 100 staff across five offices that can support with legal set ups, charity questions, governance, property, disputes, employment, IP, and more.

Find out more at parryfield.com

Compiled by the Parry Field Lawyers Impact Team

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PARRY FIELD LAWYERS

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Words matter. Either they clarify, or they confuse.

Specific terms, acronyms and phrases may be challenging to understand.

Legal words in particular may be inaccessible for those they are there to serve. If English is not a first language, the barrier is raised higher.

We have helped many hundreds of charities and purpose driven organisations. Some of these are brand new and others have been going for many decades. So, we have seen first hand which words are often confusing.

In this guide we have set out brief explanations to help you to be able to easily look up and understand key terms and concepts.

In preparing this, we took inspiration for this project from "Just Words" which has translations of English words used by charities into other languages, written in the UK by the Sistren Legal Collective which notes:

"Technical legal language can exclude communities from creating and fully participating in decision-making processes within the very organisations that are intended to serve them. Thus exclusion is not merely about comprehension; it is about power. When language creates distance, it denies community agency over the very laws and structures that impact us."

We have many other resources for charities so be sure to check those out too – articles, guides, and videos, as well as Seeds podcast that now has more than 500 interviews with inspiring people.

Many thanks to Joel Wilson for his support in preparing this guide.

What words should we add? Drop me a line and we can consider for a future edition.

NGĀ MIHI NUI

STEVEN MOE

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Disclaimer: Lawyers love these. Basically, we are not giving legal advice by providing this guide. If you need specific input, make sure to get a specialist (such as us) to provide input.

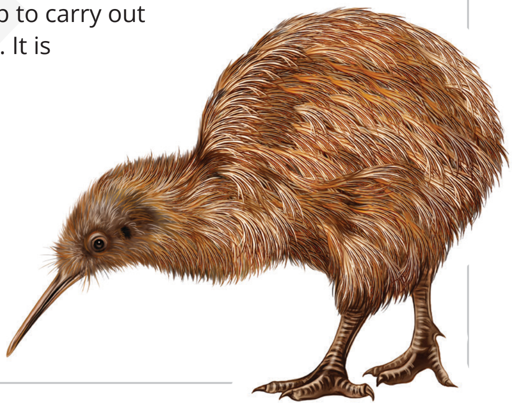
"

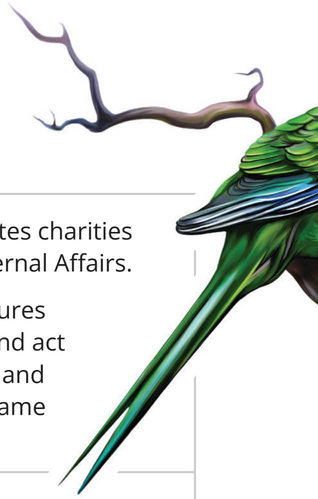
Mā te huruhuru ka rere te manu.

Adorn the bird with feathers so it may soar.

"

Advocacy	Advocacy is a broad term that covers a wide range of different activities including representing, supporting or promoting a particular cause, influencing public policy, and educating communities about issues that affect society. In Aotearoa New Zealand, charities and community organisations can take part in advocacy if it supports their charitable purpose. This can include campaigning, lobbying, giving submissions to Parliament, or sharing research to influence policy. Charities must follow New Zealand charity law, including the Charities Act 2005, and ensure their advocacy stays focused on their charitable purpose and does not, for instance, support a political party or election candidate.
Assets	Assets are anything of financial value that an organisation owns, such as money, equipment, vehicles, buildings or digital tools. But, it also includes intangibles such as brand and reputation. Common types of assets include: • current assets which can be turned into cash quickly, such as money in a bank account; and • fixed assets which take longer to turn into cash, such as buildings or machinery. Assets are also either: • tangible assets which are physical items, such as computers or furniture; or • intangible assets which are non-physical items, such as an organisation's brand, logo or reputation.
Bequest	A bequest is when something (money or property) is left in a Will to an organisation.
Board	Board means the group of people who provide governance for an organisation. These individuals are sometimes called Trustees (for a Trust) or Directors (for a Company) or Officers (for an Incorporated Society). Their main role is to look to the future and think strategically about where the organisation is headed and look out for risks that may impact it. Think of this as the brain of the organisation.
Capital	Capital refers to the money or assets needed to start, operate or grow an organisation. Capital can include equipment, land, buildings, loans or investment funds.
CEO / Chief Executive Officer	The Chief Executive Officer is the most senior manager in an organisation. They lead the day-to- day operations, set goals and strategy, manage staff and budgets, and represent the organisation publicly. Most Chief Executives are paid employees and report to the Board.
Charitable Trust	A Charitable Trust is a legal structure set up to carry out charitable purposes that benefit the public. It is usually governed by a Trust Deed and managed by Trustees. Most Charitable Trusts register with Charities Services under the Charities Act 2005, which allows them to access tax benefits and issue donation tax receipts. However, some choose not to be registered charities.





Charities Services	Charities Services is the government body that registers and regulates charities in Aotearoa New Zealand. It operates within the Department of Internal Affairs. Charities Services maintains the public register of charities and ensures charities follow the Charities Act 2005, report correctly each year, and act in the public interest. It used to be called the Charities Commission and we still hear many people refer to it as that. However, the correct name is 'Charities Services'.
Charity	A charity in New Zealand must have a charitable purpose that provides public benefit. There are four categories of charitable purposes: • Relief of poverty; • Advancement of education; • Advancement of religion; and • Other purposes that are beneficial to the community. These often relate to the other three but can also relate to promoting health, protecting the environment, or supporting culture. Charities must register with Charities Services if they want tax benefits and access to donation tax credits through Inland Revenue. However, some charities choose not to register. A charity can be one of many entity types such as a Trust, Company, or Incorporated Society.
Charity Registration	A charity number is the unique registration number given to a registered charity by Charities Services. This confirms official charity status and allows access to tax benefits from Inland Revenue.
Community Foundation	A Community Foundation is a charitable organisation that encourages local giving to support its region. Donations are usually pooled and invested long-term so that grants can be made to charities and community groups. Examples include the regional Community Foundations across New Zealand which support local projects, social services, arts, education and environment. The peak body is Community Foundations of New Zealand, which has many great resources on their website.
Companies Office	Companies Office keeps official public records for companies and many incorporated community organisations in New Zealand. It registers companies, incorporated societies, charitable trusts, and other legal structures and ensures they meet their legal reporting requirements.

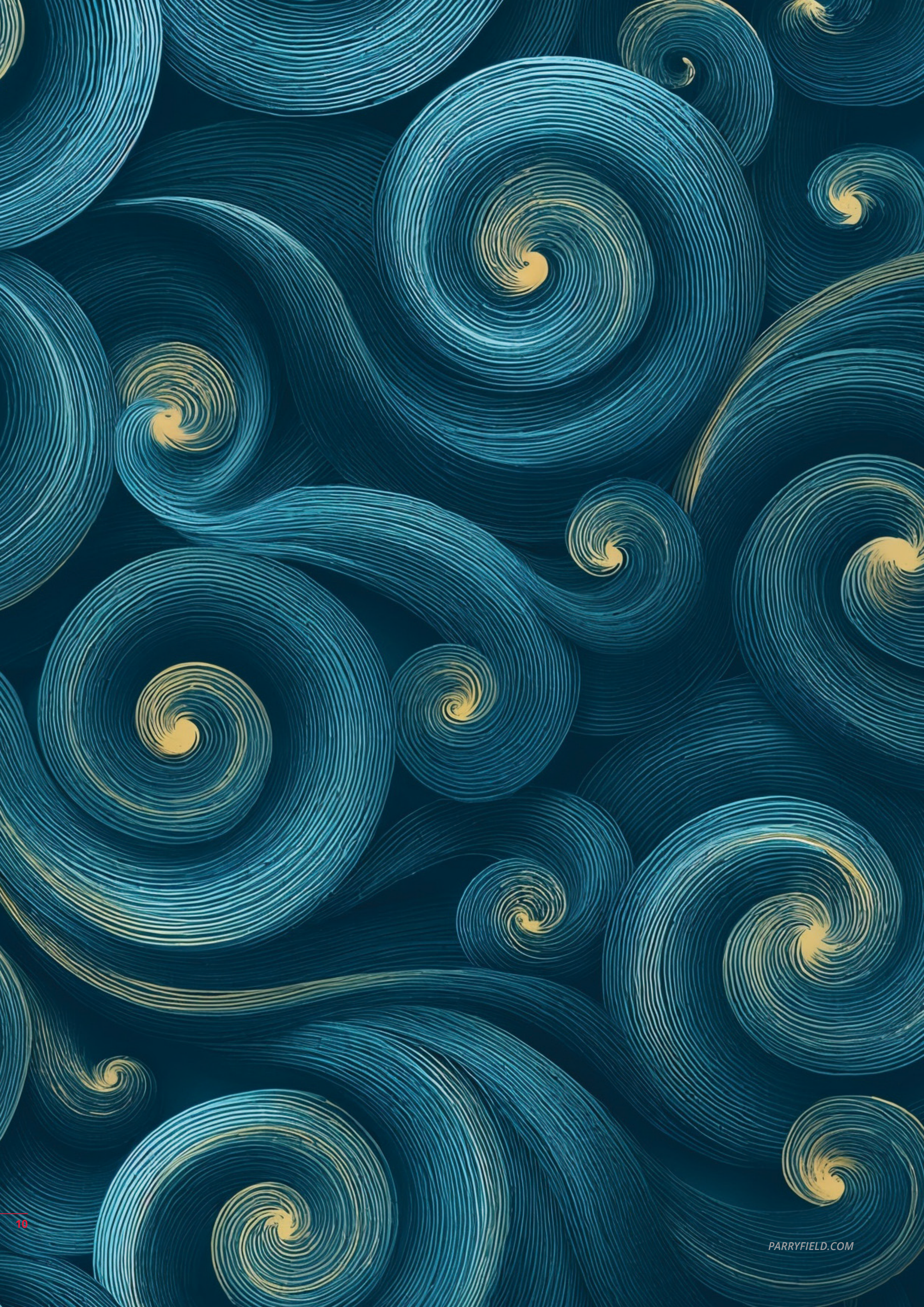
Constitution	A Constitution is a written document that sets out how an organisation operates, makes decisions, holds meetings and achieves its goals. Companies have a Constitution, but many organisations may refer to the Constitution but mean Rules, a Trust Deed, or a Governing Document. When was yours last reviewed? Registered charities should do this every 3 years – for more read this article.
DAF	DAF means Donor Advised Fund and refers to an arrangement where a Donor will provide funds to a group who then makes donations on their behalf. While more common in the US, they are growing in number here as well.
Deed of Variation	A Deed of Variation is a legal document used to amend an existing Trust Deed or legal agreement. Any change must follow New Zealand law and the terms of the original document. For charities, they must provide the Registrar with detail of any changes to the trust, or rules, within a month of the change being approved by the board and if they are a registered charity, they must also update Charities Services.
Director	A Director is a person legally responsible for running a company and making sure it meets its legal duties under the Companies Act 1993. Directors make decisions about strategy, finances, and compliance. They have duties of care and to act in good faith and the best interests of the company (among others – see sections 131 - 137 of the Companies Act for more and our 'Doing Business in New Zealand: Company Basics' guide.).
Donation	A donation is a gift of money, goods or time to help a charity, person or cause without expecting anything in return (this is different to a sponsorship where there is a return). Monetary donations made to a registered charity may qualify for a tax credit through Inland Revenue.
Donor	A donor is a person or organisation that provides a donation of money, goods, time or resources. Some trusts may refer to their founder as the 'Donor' or 'Settlor' of the Trust.
Duty	A duty can be an obligation to act a certain way. For example, trustees and directors in New Zealand have duties to act in the best interests of the organisation, follow the law and manage money carefully.
Endowment	An endowment is a large donation or fund that is invested for the long term. The income earned from the investment is usually used to support charitable work.
Foundation	A Foundation is not a legal entity type but instead is a name used often to describe a charitable organisation that gives grants or other support to help communities or causes. Some foundations are funded by families, individuals or businesses. Others are operated through investment income or public donations. It's a term often used in the US, but we see it increasingly used here.

Fundholding	This refers to one charity holding funds on behalf of another. You can read more about this in our guide 'Fundholding by Charities in Aotearoa New Zealand: Making Doing Good Easier'.
Governance	Governance refers to the systems and processes that guide how an organisation is run. This includes decision making, financial oversight, legal compliance and strategy. Good governance supports ethical, sustainable and effective organisations. Find out more: Parry Field Governance Resources
Grant	A grant is a gift of money that supports a project or organisation. Grants often have conditions that set out what the money can be used for and how reporting must be completed (compared to a pure donation with no special conditions).
In-kind	In-kind support means giving something other than money. This can include services, equipment, free use of buildings, professional advice, food, volunteer labour, or transport.
Incorporated Society	An Incorporated Society is a not-for-profit legal structure used by many clubs, charities and community organisations. It is registered under the Incorporated Societies Act and has its own legal personality separate from its members. An Incorporated Society must follow its Constitution, hold annual meetings, and meet reporting obligations. For more on this, check out our Incorporated Society Information Hub.
Incorporation	Incorporation is the process of creating a legal entity such as a Company or Incorporated Society. Once incorporated, there is a separate legal entity and it can enter into contracts, employ staff and own property. A group which is not incorporated may have personal liability for its members and the members can sign contracts on behalf of the group. It is free to incorporate and we recommend it. Find out more: Reasons for a Trust Board to Incorporate
IRD	IRD refers to Inland Revenue Department, the government department that manages taxes, donation tax credits and donee status for individuals, businesses, charities and non-profits.
Koha	Koha is a gift to someone for something they have done.
Legal Personality	Legal personality means an entity that is legally separate from the people who run it. This limits personal responsibility for debts and allows the entity to enter contracts, open bank accounts, employ staff and own assets in its own name.

Liabilities	Liabilities refers to debts or obligations owed to others.
Liquidation	One process of closing an entity. A liquidator may take control, sell the company's assets, pays creditors, and then closes the entity.
Lived Experience	Knowledge gained from personally experiencing an issue or situation. Often used when designing community services or policy. It is important to talk to those you want to help first, not just present them with your solution.
Management	The people who run the organisation day-to-day, such as a CEO or managers. They carry out work but are not the governing body.
Members	Members in a charity often refers to people who are part of the charity and may have rights such as voting on who will be appointed to be on the Board.
Not-for-profit	Often used to refer to charities. We prefer using the term 'For Purpose" and we explain why in this article.
Officer	Officers of charities are responsible for making sure it is run in line with its rules and requirements under the Charities Act 2005. As well as ensuring that the charity uses its resources solely for its charitable purpose. A charity's officers include trustees or members of their governing body, but also those that can significantly influence decisions of the charity. Find out more: Recent Changes to the Charities Act: Part I
Personal Liability	When an individual is personally responsible for paying debts or legal obligations. If an organisation cannot pay what it owes, someone with personal liability may have their own assets used to cover those debts. This is why it is important for a group to incorporate to reduce personal liability.
Philanthropy	Giving money, time or resources to improve communities, the environment or people's wellbeing. In New Zealand, this often includes grant-making, charitable gifts, and community-led support. Ultimately, the aim is to create a more just society we all live in.
Philanthropy New Zealand	A peak body for philanthropy groups. You can find lot of their resources on their website.
Pro Bono	Pro bono is a Latin phrase "for the public good." It could be professional services (such as legal or accounting) provided for free or at a reduced cost for people or organisations that ordinarily cannot afford them.

Purpose	The reason an organisation exists and very important to get clear. For charities, it must align with the Charities Act's definition of charitable purpose. There are four categories of charitable purposes as set out in the Act. Relieving poverty, advancing education, advancing religion, and other purposes beneficial to the community. Read more on this in our Charities Guide.
Quorum	The minimum number of people who must attend a meeting for decisions to be valid. Rules for quorum are set out in the constitution or governing document.
Registered Charity	A charity registered with Charities Services under the Charities Act. Registered charities must report annually and receives tax benefits from Inland Revenue.
Regulator	A government agency that sets and enforces rules for the organisations that it governs. Regulators are often in charge of monitoring compliance with the law as well as the registration of new organisations. In New Zealand, examples include: • Charities Services (charities) • Companies Office (companies, trusts and incorporated societies) • IRD (tax)
Reserves	Funds set aside and not used for daily operations. Reserves help an organisation stay financially stable and cover unexpected costs.
Restricted Funds	Money donated or granted for a specific purpose. It must be used only for the project or activity the funder has specified.
Rules	The governing document for incorporated societies and many non-profits. Rules set out how the organisation operates, including membership, meetings and decision-making. They may also be called a 'Constitution' or 'Trust Deed' (depending on the entity type).
Settlor	A person who creates a trust by giving assets or funds to trustees to manage for a specific purpose or group.
Shareholders' Agreement	A private agreement between the shareholders of a company describing how the company will be run, how decisions are made, and what happens if shareholders disagree.
Social Enterprise	An organisation that trades to achieve a social or environmental goal. Profits are mainly reinvested into the mission rather than paid to private owners. Increasingly, we are using the term "Impact Companies". Find out more in this book: Social Enterprises in New Zealand – A legal handbook

Solicitor	A qualified lawyer who gives legal advice and prepares legal documents. New Zealand solicitors are regulated by the New Zealand Law Society. Parry Field Lawyers are one of New Zealand's leading law firms supporting purpose-led organisations and charities. With a team of around 100, we work with clients across the country to provide practical legal guidance and support.
Stakeholders	People or groups affected by or interested in an organisation's work, such as donors, funders, staff, government agencies, or community members.
Subsidiary	A company controlled by another company (the parent). Charities sometimes use subsidiaries to run trading activities.
Tax Donee Status	A status granted by Inland Revenue that allows donors to claim tax credits on donations. Most registered charities and some other not-for-profits qualify.
Third Sector	A term for non-profit and oriented community organisations, including charities, trusts, societies, co-operatives and social enterprises.
Trust Deed	The governing document for a trust. It sets out the Trust's purpose, who the trustees are, and how decisions are made.
Trustee	A person who manages a trust or charitable trust board. Trustees must act in the best interests of the trust and follow the Trusts Act.
Unincorporated	An organisation that does not have its own legal personality. The individuals involved may have personal liability because the group itself cannot hold assets or enter contracts.
Windup	The process of formally closing an organisation, including paying debts and distributing any remaining assets according to the organisation's rules or the law.
XRB	The External Reporting Board (XRB) sets the financial standards. They have many free guides which you can find on their website. (Steven Moe is on the XRB Advisory Panel).



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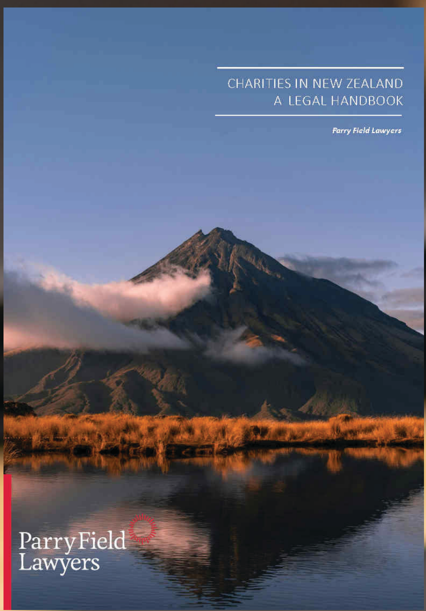
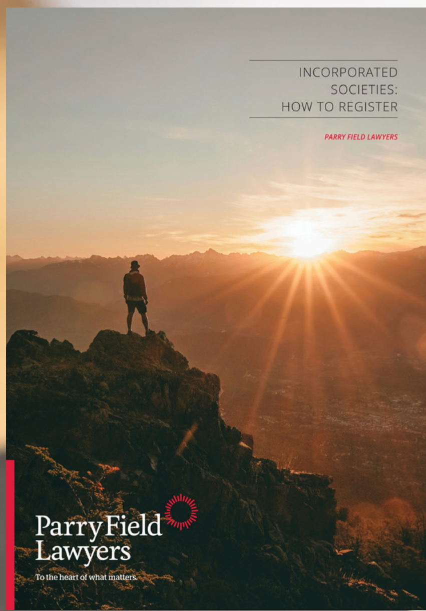
Other free guides at www.parryfield.com/publications include:



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