Presbyterian Church of Aotearoa New Zealand

FINANCE NEWSLETTER 185

TO: Parish Treasurers, Presbytery and Parish clerks

FROM: Brendan Sweeney, Manager, Financial Services

DATE: 16 July 2016

1.	**PCANZ subsidised help for churches**
2.	**Tier 3 and 4 reports available in Xero**
3.	**Charities Services Reporting Webinars**

1. PCANZ subsidised help for churches

Im aware that the implementation of new reporting standards this year is going to be challenging for some churches. To assist churches, PCANZ's partner, Laurensons Chartered Accountants (LCA) has agreed to offer presbyterian and cooperating parishes (with presbyterian oversight) up to three hours direct support in the preperation of annual accounts, free to churches. To enable this I received a budget from Council of Assembly and permission from Wayne Matheson to underwrite the cost of this support, up to $300 per church (and possibly more with my approval). The scope of the offer is:

- review existing reports and systems, recommend and if possible make journal adjustments and reconcilations, produce or assist in production of reports and notes.
- general advice on accounting principles, processes and church chart of accounts and report groupings.

The offer is only open this financial year to assist with the transition to new reporting standards. Any time required by LCA over three hours subsidised by PCANZ is chargeable to the church at $95 per hour.

LCA will require significant input from churches in terms of the sharing of existing reports and explanation of structures. If you wish to proceed please contact me or Avril Hillind at Laurensin Charters Accountants xero@presbyterian.org.nz .

2. Tier 3 and 4 reports available in Xero

For churches that use Xero for Parishes, Laurenson Chartered Accountants have completed the adaptation of Xero tier 3 and 4 report templates, and have released them to churches. To access go to the Xero menu and go to Advisor / Report Templates. LCA have produced sample reports which are posted on the PCANZ website treasuers information page, along with a detailed guideline on the completion of the reports. Go to

Xero for Parishes sample Tier 3 report

Xero for Parishes sample Tier 4 report

Guidelines for the completion of Xero reports

Please also refer to Exernal Reporting Board (XRB) frequently asked questions:

https://www.xrb.govt.nz/Site/News/FAQ_Tier_3and4.aspx

Overview of Tier 3 and 4 reporting requirements:

To recap, all churches are required to report to the new accounting standards. The vast magority of our churches will be required to report to either Tier 3 or 4 Public Benefit Entity standards. Which standard is used depends on the operating expenditure of the church (including any Trusts or associated entities that are controlled by the church).

Tier 4 overview

Tier 4 is a simple cash accounting standard. You may choose to report to this standard if the churches annual expenditure of the church is less than $125,000. As a cash based report you will need to report:

1. Statement of Reciepts and Payments. This is like a Profit and Loss report but includes cash movement from investments and fixed assets, and reconciles with changes in bank balances. This report is automated in Xero.

2. Statement of Resources and Commitments. As a cash report, this reports changes in the value of assets and liabilities over the year. It is automated in Xero

3. Statement of Accounting Policies. There are 5 standard policy disclosures that are quite straight forward to complete:

• Basis of Preperation	What standard you are reporting to
• GST	GST registered or not?
• Income Tax	The church is exempt
• Bank Accounts and Cash	Definition- cash or <90 day deps
• Changes in accounting policies	Unlikely to be any changes

4. Notes to the Performance Report. There are 8 notes required:

• Analysis of Receipts	} These are line item detail that
• Analysis of Payments	} support the above reports and
• Capital Receipts and Payments	} are automated in Xero
• Correction of Errors	} Relates to prior period errors
• Related Party Transactions	} Responses should be straight -
• Related Parties – Alternative	} forward. Alternative simply
• Events after Balance Date	} means no related party
• Events after Balance Date - Alt	} transactions or events

Note because this as a cash based report is likely to be quite different to how churches currently report financials. If churches currently have a fixed asset register and recored accounts payable and recievable, it may be easier to chose to report to Tier 3 standard rather than change systems to record everything on a cash basis. In fact I have become aware of an agent who wants to keep things simple and is only reporting their clients finances to Tier 3, regardless of if they qualify for Tier 4.

Tier 3 overview

The Tier 3 standard must be used if church annual expenditure is between $125,000 and $2m. This is accrual accounting, so you must maintain a record of accounts payables and recievables, accrued income and expenditure and prepayments, and maintain a fixed assets register and depreciation schedule.
This standard requires reports that much closer resemble accrual based Profit and Loss and Balance Sheet reports:

1. Statement of financial performance	} Summary reports -
2. Statement of financial position	} all automated in Xero
3. Statement of cash flows.	}
4. Statement of Accounting Policies	} This is the same as the policy } disclosures required under Tier 4 } standard (see above)

5. Notes to Accounts.

There are 22 notes fields. Notes 1 – 7 are all automated, and for notes 8 – 22 manual input input is neccesary but only if church activities relate to these disclosures. Guidance for churches is not offered because required information is either self explanatory or unlikely to apply to church operations. If guidance is required please contact me.

• Analysis of Revenue	} All automated in Xero
• Analysis of Expenses	}
• Analysis of Assets	} These are detail by line item that
• Analysis of Liabilities	} support the financial performance
• Property Plant and Equipment	} and position summary reports
• Accumulated Funds	} (above)
• Breakdown of Reserves	}

- Commitments
- Commitments (Alternative)
- Contingent Liabilities
- Contingent Liabilities (Alternative)
- Significant Grants or Donations with Conditions not recorded as Liability
- Goods or Services Provided to the Entity in Kind
- Assets used as Security for Liabilities
- Assets held on Behalf of Others
- Related Parties
- Related Parties (Alternative)
- Events After Balance Date
- Events After Balance Date (Alternative)
- Ability to Continue Operating
- Ability to Continue Operating (alternative)
- Correction of Errors

Non Financial Information

In addition to financial reports outlined above, all churches are required to produce non-financial information. Required non-financial information is the same for Tier 3 and 4 churches:

1. Entity Information
2. Statement of Service Performance

Please refer to the June newsletter, or the Xero report templates in the above links for detail.

3. Charities Services Reporting Webinars

Continuing the theme of preperation for annual reports, below are details of Charities Services webinars (online real-time presentations) scheduled to be held on 26 and 27 July. These are for your information only – webinars will not require input from you but you will have to register so please go to the link contained in the communication:

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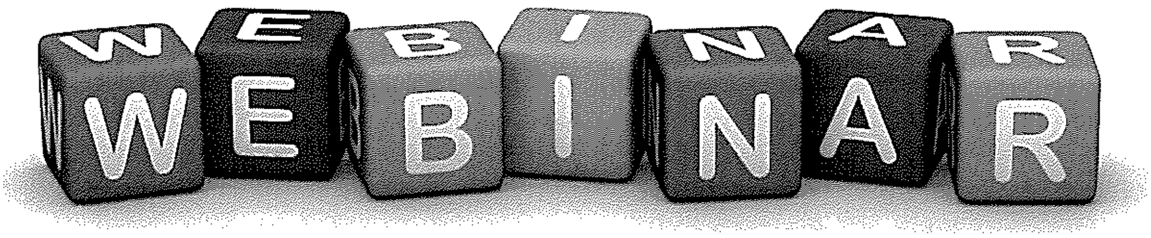
Charities Services

Information for charities in New Zealand

INTERNAL AFFAIRS
Te Tari Taiwhenua



New Financial Reporting for Accountants of Small Charities

The XRB and Charities Services invite you to join us for this free webinar.

Designed for accountants of small charities adopting Tier 3 and Tier 4 standards, this webinar will cover:

- **How the not-for-profit standards fit into the overall financial reporting framework in New Zealand;**
- **Differences between the current and former financial reporting requirements;**
- **Some detailed aspects of the Tier 3 and Tier 4 standards; and**
- **New assurance requirements for charities.**

Charities Services has so far received more than 500 financial reports. Learn from the regulators about some common misunderstandings to make sure you can provide compliant financial reports for your clients.

We will be running more webinars for charities in the near future on selected topics. Be sure to keep an eye out for these.

Webinar dates and times:

Tuesday 26 July 2016 at 10.00am-11.30am
Tuesday 26 July 2016 at 1.00pm-2.30pm
Wednesday 27 July 2016 at 7.00pm-8.30pm

Register in advance on the XRB website (click here).

The Charities Team