Parish Annual Accounts Preparation on Xero

1. Bank Reconciliations

Check that all banks are reconciled at the 30 June by selecting the manage account button from the dashboard and the reconciliation report option under the reconcile column. Remember that bank feeds only come through on week days so you will need to run the reconciliation report on the closest week day prior to your balance date. So if 30 June as a Saturday run the reconciliation report on the previous Friday the 30th March.

Should you have any items you don't expect on the reconciliation report or it is out of balance here is the link to the Help Centre with detailed instructions on how to correct any errors.

https://help.xero.com/nz/#Q_BankRecTips

When all bank accounts are reconciled print a copy of the reconciliation report for your year end work paper/audit file. You can do this individually or select the Reconciliation Reports from the Advisor Tab at the top of the screen to print them all together.

2. Outstanding amounts owed to the Parish or payments to be made in April for goods or services received in March

Enter invoices for services provided prior to the balance date such as advertising in your newsletter. When all invoices have been entered print the Aged Receivables report from the Reports menu selecting the date of March and tick the box to show invoices for your year end work paper/audit file. Here is the link to the Help Centre if you need help https://help.xero.com/nz/#Payments_AR_AddInvoice

Enter supplier invoices for goods or services received in March to be paid in April for example telephone account invoice for blankets sold by your Parish. here is the link to the Help Centre if you need help

https://help.xero.com/nz/#Payments_AP_AddInvoice

3. Fixed Assets and Depreciation

As part of the conversion process your opening fixed assets and accumulated depreciation will have been entered in the Fixed Asset Register, select Fixed Assets from the Accounts Tab at the top of the screen and look at the registered items.

Adding New Assets

If you have bought any new assets in this financial year and coded them to a fixed asset code (731 - 740 range) they will be showing as a pending item when you open the fixed asset option from the accounts tab. If you have purchased any assets under $500 they can be expensed in the year rather than adding to the asset register. If this is the case simply select the pending item line and delete then find the transaction in the account transactions either from the bank account or the reports menu and recode to 291 assets under $500.

To register your pending items click on the line and it will open the asset details screen, if your item is not on the pending asset screen possibly because you originally coded it somewhere else and had to edit the code just click the new asset button and enter manually. Here are a few tips for the new asset detail screen

- Item - This will default from the description you entered when you entered the supplier invoice or reconciled the bank transaction so you might like to edit it something a little more precise so future treasurers can identify it easily.
- Asset number – This will default to the next numeric number but you can use your asset numbering system if you want to. Usually the default will be fine.
- Account – this will already be filed in if you selected a pending item otherwise enter the asset code the transaction was coded to such as 736 for Furniture & Fittings
- Purchase Date – This is the date the item will be depreciated from so normally the date or purchase but if you did not start using the item until later then the date is started being used
- Description – This is optional but it is a good idea to record serial numbers etc in here so future committee members know exactly what this item is.
- Asset Type - This will display on the Depreciation Schedule report and is useful if you want to export the data for a full listing of your assets as you can group them by type. Using the account code names e.g. Furniture & Fittings will suit most Parishes
- Depreciation Rate - Parishes use the IRD depreciation rates so you can look this up by clicking the blue IRD rate search on the right hand side or looking at your other assets of the same type to ascertain the rate
- Depreciation method – You have the choice of straight line which depreciates the asset over a set number of years e.g. 20% straight line depreciates the asset over 5 years or diminishing value which calculates the depreciation from the written down value each year rather than the cost price as with straight line. Diminishing value leaves a small book value for longer. Generally straight line would be the suitable method for Parishes but you can choose.

When all assets have been registered, look at the fixed asset reconciliation report from the all reports option on the reports tab to check that the asset register is in line with the accounts before you calculate depreciation. If there are any discrepancies fix them before you move onto depreciation.

https://help.xero.com/nz/#Report_FixedAssetRec

Depreciation

Once all the assets are entered this is super easy. From the fixed asset option on the Accounts Tab select the depreciation button, enter a date of 30 June, click the update button then approve. This posts the depreciation entries for the year. All that remains is to print a depreciation schedule for your year end work papers/audit file. If you have any questions around depreciation here is the link in the Help Centre, if you miss an asset you can always roll it back and calculate again instructions for that are included in the link.

https://help.xero.com/nz/#FixedAssets_Depreciation

4. **Income in Advance**

It is not uncommon for Parishes to need to adjust for income in advance at balance date this could be for grants to be used in the next year for example. Firstly prepare a work paper for your work paper/audit file of the income you have received that is for services that will be delivered in the next financial year this might be a grant for a specific project in the next year.

Then enter a manual journal with a date of 30 June and auto reversing date of 1 July and debit the Income account (such as 211 Other Grants Received) and credit 820 Income Received in Advance. Here is the link again for entering manual journals

https://help.xero.com/nz/#Report_PostJournal

5. **Prepare work papers for your audit or review for all balance sheet items**

A good place to start on this process is to run a balance sheet report at balance date and prepare a work paper with supporting documents for each balance sheet item. Some examples of work papers and supporting documents are

- Bank Accounts – Copy of the Xero reconciliation report and the bank statement for the 30 June to verify the balance
- Accounts Receivable – a copy of the aged receivables report and copies of the invoices listed
- Inventory – Copy of the stock count sheet with costs adding to the total in the balance sheet
- GST – Copy of the GST returns for the year and a covering work paper showing the amount to pay/refund for 30 June plus GST on Accounts Receivable Less GST on Accounts Payable which should agree to your balance sheet figure for GST if on a cash basis which most Parishes will be. The GST reconciliation report in Xero is currently being redeveloped, see report in Xero if you want to use this.
- Fixed Assets – Copy of the depreciation schedule, fixed asset reconciliation report and copies of the supplier invoices for any asset purchases in the last 12 months.

- Accounts Payable/Accruals - – a copy of the aged payables report and copies of the supplier invoices listed.
- Also print a General Ledger report from the All Reports menu selecting dates from 1 July to 30 June, sort by account number, tick show YTD box, update then print. This report will show the movement during the year for each account code and assist you with the notes (see below) and the auditor.

6. Review Profit and Loss Report for any coding errors

Review your profit and loss report looking for coding that does not look sensible and might need editing.

If you have any income from sources other than offerings, investment or service delivery such as Grants the auditor will want to see a copy of the paperwork you received with the income.

7. Draft Annual Accounts including editing notes

Ok this is the fun part – how to have beautiful looking annual accounts with very little effort. There is some set up involved in the first year but this is not onerous and subsequent years will be even easier.

- Report Fields

From the Advisor Tab at the top of the screen select report fields and schedules and the fields tab. Enter your Parish details in each of the following categories, the sample reports for suggestions to complete.

Legal Name of Entity
Physical Address
Type of Entity & Legal Basis
Charities Registration Number
The Entities Mission & Objectives
Entity Structure
The Main Source of the Entities Cash & Resources
The Main Methods Used by the Entity to Raise Funds
The Entities Reliance on Volunteers, & Donated Services & Products
General Description of the Activities of the Entity During the Reporting Period

- Report Codes

Report Codes are attached to each code in your chart of accounts and they drive the annual report pack. From the advisor tab at the top of the screen select report codes. If there are any codes on the For Review tab please contact xero@presbyterian.org.nz to update them for you. They will probably be any new account codes that you have added during the year.

Creating Your Annual Accounts Report

From the Advsior Tab at the top of the screen select All Advsior Report Packs and the Report Pack called "Annual Report Pack" the other options is the financial statistics report which can be prepared separately.

Make sure the report date is correct and alter to 30 June 2013 (or year reporting on) if not and update. The move to the bottom of the screen select publish then on the next screen edit the report date if needed and remove the author (or it will print on your cover page) and click the blue button to save as draft. This has created your working draft that you can keep coming back to and updating until your audit is complete.

To open the draft select all reports from the reports tab, the draft tab then click on the report you have just created. When you open it each time it will be updated with any changes you have made in your ledger to the numbers but the formatting will remain the same.

Now navigate through each page of the report from the drop down box at the top of the report making edits as noted below

- Entity Information

The data entered into the report fields will have populated this page but you can add extra information by clicking into any of the grey boxes.

- Statement of Financial Performance

This is the Profit and Loss Report in financial reporting speak.

Statement of Movements in Equity

This report should not require any further action it is simply showing the opening balance of Parish Equity plus the current year earnings from the previous page totaling the equity at balance date which will agree to the next page the Statement of Financial Position.

- Statement of Financial Position

This is the time to check that you have a work paper (see notes above) for each item on your balance sheet to verify the balance for the auditor. If you click on the blue number for any summarised lines such as Property, Plant & Equipment if there are several categories (codes731 - 740) another page will display showing a list of all the line items that make up that amount. Print these pages for your work paper/audit file.

- Depreciation Schedule

If you have followed through the instructions above this schedule should not require any further action.

- Statement of Accounting Policies

The accounting policies have been selected from generic policies written by Grant Thornton for Xero. Grant Thornton are experts in not for profit reporting so you can have confidence in them but they may need small edits for your particular Parish.

Work through each policy and if it does not apply to your Parish then click the x button to remove but rest assured you can always add it back later if needed. For example you may not be registered for GST so you can remove policy 3 and leave policy 4 which says the Parish is not required to register for GST.

Notes to the Financial Statements

Note 1 & 2 Audit/Review – Remove note 2 if the financial statements are audited or reviewed, or note 1 if not.

Note 3 Property, Plant & Equipment– This one should be fine as it is

Note 4 Commitments & Contingencies- If none delete the first clause otherwise enter details as appropriate

Note 5 Other – Conditions attached to grants received. Enter the source of each grant received the amount and purpose and nature of the condition(s)

Note 5 Other – Additional Information. Enter any additional information here that you wish to disclose the readers of the annual accounts. If special acknowledgements are required this is a good place for it.

To print your whole annual report press the green publish button add the following text into the Report Footer Text box

The accompanying notes form part of these financial statements.

Then use the blue button to export your report to a PDF to print and save an electronic copy, then click the save as draft button again for editing later.

8.   Complete any audit adjustments, publish and lock dates

If your auditor requires any adjustments either edit the original transaction (always the preferred option) or enter a manual journal following their instructions.

Then open the draft report, check and publish. Next year you will be able to open this published document, select the copy and edit button, save as draft, update the year end date and all your current year transactions will pull through into the report retaining all your formatting.

Should you need any support in this process please contact xero@presbyterian.org.nz

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