



# Presbyterian Church of Aotearoa New Zealand

## FINANCE NEWSLETTER 167

**TO:** Parish Treasurers, Presbytery and Parish clerks  
**FROM:** Brendan Sweeney, Manager, Financial Services  
**DATE:** 22 October 2014

1.	<b>New Finance Requirements for Parishes and Church Groups</b>
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*Below is an extract of a communication sent today to presbyteries and parish clerks. It outlines two important changes in church administration that will take place next year. Please take the time to read it and contact me if you require any clarifications. Please note churches will be contacted by presbyteries in the next few weeks with the timetable of seminars I intend to hold in November and early 2015, explaining the changes and support tools.*

### **New Finance Requirements for Parishes and Church Groups:**

- 1. Church Reporting Standards From 2015**
- 2. Parish Charities Registration**

This communication is intended to provide an overview of changes to church financial accounting requirements, and parish registration with Charities Services, both to take effect from 2015. It is not intended that this provide a training or instruction resource as this material will be produced and communicated by the Financial Services Department of General Assembly in coming weeks.

#### **1. Church Accounting Standards from 2015**

The financial reporting standards of Public Benefit Entities, as detailed in the Financial Reporting Act 2013 take affect from 1 April 2015. This means that from that date, all Presbyterian churches will have to comply with statutory reporting requirements in addition to that currently required by PCANZ.

For churches with a 30 June balance date, the first finance reports that will adhere to these standards will be those dated June 2016.

Under the Act, the type of report required will depend on the size and complexity of the church or group. This is measured by annual operating expenditure:

- Expense less than \$125,000 pa: Tier 4 Public Benefit Entity, Simple Format Accounting – Cash
- Expense more than \$125,000 but less than \$2m pa: Tier 4 Public Benefit Entity, Simple Format Accounting - Accrual

Simply put, larger parishes will have to report on an accrual basis as defined by the Act, and smaller parishes will have to adopt a cash accounting and reporting structure (although they may maintain accrual accounting if that is currently in place).

The new standards will require more detailed reports than are currently produced by churches, but overall reporting is not very different:

- Profit and Loss and Balance Sheet
- Statement of Cash Flow (Tier 3 only)
- Disclosures and Notes to accounts

In addition, non-financial information is required:

- Name of church, charities registration number and contact details
- Mission plan and activities.
- Statement of Service performance

It is important to note that adequate financial records to satisfy the requirements are already maintained by most churches, and a change in revenue and expenditure recording processes will not be necessary. What will be required is an understanding of the required reports and supporting analysis. FSD will assist with appropriate guidance for non-financial information, and tools to support financial reporting.

## **2. Charities Registration**

Since the Presbyterian Church established the single charities registration in 2008, (CC33597), FSD has worked closely with the Department of Internal Affairs Charities Services (formerly the Charities Commission) to ensure that the Church is compliant with charities reporting requirements.

Charities Services require all registered charities to report data relating to its operations and key people, as well as its annual financial reports. This information is posted on its charities register and updated annually. Since 2008 data relating to General Assembly operations has been posted on the register, however in that time parishes and other groups associated with the Church (including presbyteries, the Pacific Islands Synod, Te Aka Puaho, and the Synod of Otago and Southland) that have been using the PCANZ registration have not had their data posted, either as individual entities, or by way of consolidated reports.

As a result the Council of Assembly is requiring each parish and group using the PCANZ registration to individually apply for registration with Charities Services. Note that there are tax implications for parishes for not registering or for any subsequent de-registration. Under these circumstances the parish could lose its ability to issue tax receipts to donors, and become liable for income tax.

Registration should be completed by each parish by 30 June 2015. Pending training and support detailed below, Council of Assembly is not yet asking anyone to register their parish. However key points of registration should be noted:

- Charities Services has an online registration application process. Visit: <https://www.charities.govt.nz/apply-for-registration/how-to-apply/>
- It is only a Church Council (or equivalent), or individual's authorised in writing by the Council, who may carry out the registration process.
- The name of the registering entity will be the name of the church, and the area or town. For example St Pauls, Cambridge or Knox Church, Twizel. The Assembly Office maintains a register of churches and can advise if the applicant is unsure of its registration name.
- Parishes will not have to establish Charitable Trust status in order to register. Charities Services recognise the existing PCANZ registration

under the Church Property Trustees Act 1886, and that recognition of PCANZ parishes will not change.

- The Assembly Office will guide you on the wording of required non-financial information (type of entity, purpose, activities etc). Each registration will be supported by a copy of the Presbyterian Church Book of Order.
- Applications must name “Officer’s” of the parish. These are people on the governing body of the church who have “significant influence over the management and administration of the entity”. Typically this will be the Church Council (or equivalent). Church officers named on the register will be subject to certification.
- If General Assembly Office assistance is not required for the registration process, Assembly Office should be notified when a registration application is made, and advised of the registration number that has been assigned.
- Although finance reports to the new Accounting Standards will not be required until 2016, the posting of church annual accounts will be required from the first balance date after registration. In most cases this will be for the accounts dated 30 June 2015.
- To simplify reporting Charities Services plan to have the summarized form of the accounts replicate the new accounting standards requirements by that date.
- Parish registration, and accounting standards do not mean there is now a legal requirements to have church accounts audited. There remains no audit or financial review requirement outside that set by PCANZ.

### **Training and Support**

It is envisaged that most churches will be able to adapt to these changes without too much disruption. However this is a big change and this office is working with the resource committee and presbyteries on a plan to support parishes in the registration process and in communication of the accounting standards: The support plan is in two broad parts:

### **a) Nationwide Training and Support Roadshow**

This is currently in planning with presbyteries and a schedule will be released in the next few weeks by presbyteries. Church councils, clerks and treasurers, will be invited to attend one of several regional seminars planned for each presbytery region. These will commence in November and will be held over several weeks into the beginning of 2015 (excluding the summer break). The format will be presentation followed by questions and answers and will cover:

- An overview of why church accounting standards are required
- What the new reporting requirements are
- How to use existing processes and reports to adhere to requirements
- The process of charities registration and posting of accounts

### **b) Introduction of accounting tools and support agencies**

FSD does not require any church to implement any software tools for its operations, however churches may consider the following tools that may assist in meeting reporting standards, and simplifying administration:

- Xero for parishes accounting software including add-ons:
  - Suggested church chart of accounts
  - Automated report pack that will satisfy accounting standards
  - Automated donor receipting module
- Thank You payroll. This is a free service available to churches that will manage minister and lay employee payroll and associated allowances, PAYE and ESCT.
- Establishment of a helpdesk facility operated by the General Assembly office. This is a dedicated advisory service for reporting, accounting, charities registration and employment matters.
- Support in the establishment of regional administrative hubs.

It is possible that even with the support plan in place, some churches may not adapt easily to reporting and registration requirements. Existing administrative capability in some churches is insufficient to meet increasing employment and accounting demands, and the imposition of accounting and registration requirements, even with support tools in place, may be intolerable to some churches. This obviously presents a challenge to those churches as well as to presbyteries and Assembly Office and will be addressed as issues and possible resource solutions become apparent.

