



FINANCE NEWSLETTER 173

TO: Parish Treasurers, Presbytery and Parish clerks
FROM: Brendan Sweeney, Manager, Financial Services
DATE: 18May 2015

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1. Update: Church Charities Registration

Thank you to those churches that have registered for charitable status or submitted applications to Charities Services. Charities Services have advised that they are receiving an average of about five applications a day and have registered 25 Presbyterian churches.

This number of applications is very pleasing. Please be reminded that the Council of Assembly have set a deadline of 30 June for registration and that after this date, churches will no longer be covered by the PCANZ charitable registration. That deadline is only 6 weeks away so please give this your urgent attention if you have not already done so. The Church Management Support Guide and presentation documents posted on the Treasurers Information page of the PCANZ website will assist with registration and I am available, and authorised by CS, to assist you if required.

Follow-up workshops

I will be doing follow up workshops, including a step by step demonstration of the registration process at the following locations:

- Hamilton (to be advised) Thursday June 4, 2.00pm
- Whangarei, St Andrews Friday June 5, 3.00pm
- Auckland, Knox Parnell Saturday June 6, 10.00am

These meetings are open for anyone who may like to attend.

“Officers” named in the application form

Charities Services have advised that some applications are being held up because of the incorrect roles of people, or numbers of people named as “officers” on the application form. Officers of the church are people that make decisions on the strategy and operations of the church. In most cases this will be members of session. All members are considered officers so this may number 4 or 12 or more people depending on the parish. The minister, board of managers (or equivalent), treasurer, or others may have mission, ministry or management roles within the church, and they may be members of Session. However if do not have governance or strategic decision making authority, they should not be listed as Officers. Each officer must:

- Be named on the Application for Registration form (CS form 1)
- Sign the Officer certification form (CS form 2)
- Sign the Rules of the Congregation document, (refer below)

“Rules” of the Congregation

Charities Services have reported that they are unable to process some applications because the forms have not been accompanied by the “rules of the Congregation” form, or because this document has not been signed by the appropriate people.

A summary of the purpose of the document, reproduced from the CMS guide (page 34), is below. The form is produced on Appendix 1,

Charities Services also require the applicant to attach the “rules” of the entity. In the absence of a Trust Deed or Certificate of Incorporation, the governing document is the Presbyterian Church Book of Order. You do not have to attach the Book of Order to the form as Charities Services already have a copy and will be aware that your church is part of the Presbyterian Church. What you will have to attach is a document that binds the applicant church to the Book of Order.

I’m aware that in the notes to my presentations, the sample contains two signatories. Please note that all officers of the church should sign this form.

2. Ministers Stipend Increase from 1 July 2015

Refer CMS Guide page 83 (Ministers Entitlements), and Appendix 2

I have received the Average Wage Index from the department of Statistics which shows average wages rose by 1.7% in the year to 31 March 2015. In line with PCANZ policy this increase is to be applied to minister's stipends from 1 July.

Basic Stipend

The basic stipend increases by 1.7% to \$46,457 per annum from 1 July 2015.

Supply Fees

Supply fees for a minister or theological student leading services, are:

One service:	\$241.57	(.052% of basic stipend)
Two Services	\$325.20	(0.7% of basic stipend)
Two services with the same people	\$464.57	(1% of basic stipend)

Reimbursing Allowances (unchanged)

Reimbursing allowances will remain unchanged at \$2,623 per annum as follows:

Hospitality	\$665.00
Books	\$803.00
Clothing (Vestments)	\$159.00
Other Expenses	\$996.00

Beneficiary Fund Personal Contributions

Personal Contributions payable by all members of the Beneficiary Fund in full time service is calculated as 5% of the basic stipend. From 1 July 2015 that amount will be \$2,322.83 per annum (\$193.57 per month).

Housing Allowance

For ministers living in a manse owned by the church or rented from a third party, a notional tax amount of 10% of the basic stipend (\$4,645.66) may be applied. To satisfy IRD tax requirements, this amount is added to the gross stipend and deducted from after-tax (net) stipend. The allowance may be adjusted down if part of the manse is used for church purposes, although this adjustment has not been made in the analysis shown in the appendix.

For ministers living in their own home, a market rental evaluation of the property is used for the purpose of calculating the taxable values of the housing evaluation. The amount used in the analysis is \$500 per week (\$26,000 per annum).

Deductions from stipend

Many ministers have loan repayments or IRD or superannuation deductions made from their stipend. These are not included in the analysis but should be considered after P.A.Y.E. has been deducted from the gross stipend.

3. Depreciation of Assets and Revaluation of Land and Buildings

I have been asked to clarify the rules around depreciation on fixed assets and the revaluation of land and buildings.

Calculation of Depreciation on Fixed Assets

Churches that come under tier three reporting standards from next year will be required to maintain a fixed asset register and capitalise and depreciate assets over their useful life. Fixed assets (furniture, computer equipment and software, cars etc), purchased for over \$500 (GST exclusive) should be recorded in a fixed asset register and depreciated over their useful life.

A fixed asset register should list:

- The asset and asset group (furniture and fittings; computer equipment etc)
- The purchase or revaluation date
- The cost or estimated value
- The depreciation method and rate
- Accumulated depreciation and net book value (which should reconcile with the fixed asset entry under assets in the balance sheet)

If a fixed asset register is not maintained, under the tier three accounting standard one should be established by listing assets and assigning them a value based on a best estimate approach. This combined value of assets should be recorded in the balance sheet by journal (Dr Fixed Assets, Cr Asset Revaluation Reserve in equity). The IRD have guidelines on the calculation of depreciation, refer:

<http://www.ird.govt.nz/business-income-tax/depreciation/bit-depreciation-methods.html>

It is up to the church to:

- decide whether a diminishing value or straight line method of calculating depreciation is used
- estimate the useful life of the asset
- decide if the depreciation rate is the same for all assets groups.

For example: capitalised assets owned by general assembly office are all depreciated over four years on a straight line basis regardless of the asset type. This calculation is quite simple and may not apply to parish requirements, but it satisfies IRD and audit requirements.

Revaluation of Land and Property

New reporting standards applicable to Public Benefit Entities allow for a Rateable Valuation (RV) to be applied to land and building for valuation and reporting purposes (note the insurance valuation provided by the Presbyterian Bureau Services Trust is not valid for accounting purposes, although may be helpful when estimating the value of contents). The accounting treatment of revaluations of land and property depend on if the property is for church use (church, hall, manse etc), or if it is an investment property (owned for the purpose of generating income):

Church buildings: Dr Land and Buildings (Asset),
Cr Asset Revaluation Reserve (Equity)

Investment Property: Dr Land and Buildings (Asset),
Cr Asset Revaluation (Income in the P and L)

These entries assume an increase in value. If the valuation shows a decrease in value the entries are reversed, and the P and L entry should be a debit (expense).

Appendix 3 shows is an extract from the XRB Tier 3 Accounting Standard relating to revaluations of assets:

4. June 2014 and June 2015 Parish Statistics

Church statistics at June 2014 have been posted on the PCANZ website:

<http://www.presbyterian.org.nz/for-parishes/church-statistics/statistics-2014>

Churches are aware that completing statistics is a requirement under the Book of Order. Despite repeated reminders and offers of assistance we didn't receive statistics from 25% of churches, and some churches haven't returned statistics for years. Going forward much of the information required should be posted on the Charities website, and with the risk of de-registration for non-compliance, I am hopeful that will increase the number of churches summarizing financial and membership information.

The June 2015 church membership and finance statistics forms and guidelines will be emailed to session clerks and treasurers shortly. Note this is the first time these have not been mailed to churches. If anyone requires hard copies for the forms please let me know and I will post them. They are due to be completed and returned to this office by 31 December this year, and will be finalised and posted soon after that date. Please note this deadline and advise if it cannot be met.

5. Update - Xero for Parishes

It is a recommendation from this office that Xero for Parishes is considered if churches are upgrading their General Ledger system. I have been reminded by the PCANZ partner for Xero support, Lawrenson's Chartered Accountants, that for churches considering implementing new GL software from the beginning of July, now is a good time to investigate the use of Xero,

Appendix 5 is an overview of the software package and the conversion form required to set it up in your church is below. For further information please contact Lawrenson's Chartered Accountants (04 477 1801 or xero@presbyterian.org.nz)

Xero Conversion Form	email to xero@presbyterian.org.nz
Parish Name	
Organisation GST number if applicable	
GST Accounting basis	Cash or Invoice as shown on your GST return
GST reporting frequency	1, 2 or 6 monthly
Xero Conversion Date	This is the date you want to start working with transactions in Xero, it can be beginning of a financial year or part way through
Previous accounting system for data conversion?	Type if applicable
Bank name and account number	
Bank name and account number	
Bank name and account number	
Bank name and account number	
Bank name and account number	
Bank name and account number	
Bank name and account number	
Parish Board Approval	Please attach minutes or email from appropriate Parish Board member approving the use of Xero for Parish Accounts\
Users to create	
User Name	
User Email Address	

Appendix 1: Rules of the Congregation Document

Rules of **name of Congregation**

Dated: **date of signatures**

1. The name of this congregation is **name of congregation** (“the congregation”).
2. The congregation is established under the Book of Order of the Presbyterian Church of Aotearoa New Zealand dated 29 September 2006 (as amended October 2008, October 2010, October 2012 and November 2014). In operating the congregation, we agree to be bound by the Book of Order and any Supplementary Provisions.

Signed:

Officer name, position

Officer name, position

Officer name, position

Officer name, position

Appendix 2: Ministers Stipend and Allowance s from 1 July 2015

nd and Allowance Calculation (Annualized)

ng in manse (owned by Parish) or a manse rented by the parish on the ministers							
Seniority Allowance as % of Stipend	Seniority Allowance	Notional rent (Note 1)	Gross Taxable Income	P.A.Y.E. (Note 2)	NET Stipend Payable	Ministers Contribution to Beneficiary Fund (Note 3)	Reimburs Allowan (non taxable
	-	4,645.70	51,102.70	(9,091.16)	42,011.54	(2,322.85)	2,622.
6%	2,787.42	4,645.70	53,890.12	(9,967.88)	43,922.24	(2,322.85)	2,622.
12%	5,574.84	4,645.70	56,677.54	(10,844.60)	45,832.94	(2,322.85)	2,622.
18%	8,362.26	4,645.70	59,464.96	(11,721.32)	47,743.64	(2,322.85)	2,622.

ing in own home

ing in own home							
Seniority Allowance as % of Stipend	Seniority Allowance	Estimated Housing Allowance (note 4)	Gross Taxable Income	P.A.Y.E. (Note 1)	NET Stipend payable	Ministers Contribution to Beneficiary Fund (Note 3)	Reimburs Allowan (non taxable
	-	26,000.00	72,456.56	(15,880.80)	56,575.76	(2,322.83)	2,622.
6%	2,787.39	26,000.00	75,243.95	(16,840.72)	58,403.23	(2,322.83)	2,622.
12%	5,574.79	26,000.00	78,031.35	(17,801.16)	60,230.19	(2,322.83)	2,622.
18%	8,362.18	26,000.00	80,818.74	(18,761.60)	62,057.14	(2,322.83)	2,622.

pend. No deduction for proportion of manse used for church purposes.

tax code "M". Includes ACC

contributions are 5% of basic stipend

ated as \$500 per week (assumed market rental)

Appendix 3: Extract from NZ Accounting Standards Board (XRB):

Public Benefit Entity Simple Format Reporting – Accrual (Not For Profit)
(PBE – SFR – A NFP)

Page 31:

Revaluation of Property, Plant and Equipment

A113. As specified in Table 3, purchased property, plant and equipment is to be measured on the cost basis. However, an entity may elect to revalue a class of property, plant and equipment. Entities are more likely to make such an election when the value of an asset had increased significantly over that asset's life (such as land or a building).

A114. If an entity wishes to revalue an asset, it shall apply the relevant requirements of PBE IPSAS 17 Property, Plant and Equipment, **except that the entity may use the current rateable or government valuation** (rather than fair value as required by PBE IPSAS 17) when revaluing. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the performance report.

A115. It is important to note that once property, plant and equipment is revalued, the requirements of Tier 2 PBE Accounting Standards mean that it is likely that the entity will need to continue measuring those assets at revalued amount thereafter (rather than reverting back to asset cost).

A116. If the entity chooses not to revalue property, plant and equipment but considers that a current value of some assets is useful information for users of the performance report, the entity may choose to disclose that current value, and the basis (such as the, rateable or government valuation) and date of that valuation in the notes to the performance report.

Appendix 4: Xero for Parishes: Overview and Conversion Form

Xero for Parish Accounts

With the new financial year coming up in 6 weeks' time and the need to report under the new reporting standards for that year, now is the ideal time to be setting up Xero to take advantage of the Xero for Parish Accounts project and start processing your Parish accounts from 1 July 2015 in Xero. The beginning of the financial year is the easiest point to switch accounting systems.

You will have heard at the recent roadshows that Lauren son's Chartered Accountants (LCA) in Wellington have developed the Parish standard Xero set up in conjunction with us and will assist Parishes to set up their subscription, enter opening balances and ensure that the first months run smoothly. They have also prepared training material to get you started on Xero and to prepare annual accounts.

How do we get started?

The process is that Laurenson Chartered Accountants (LCA) will

- Set up a Xero subscription from the information provided on the one page information form.*
- The next step is that the bank feeds will come through each day into Xero and LCA will provide training for you to jump right in and start processing your transactions in Xero. The training will be by a word document which has links to the Xero help centre, webinars, Skype sessions, phone calls or one on one training where this is needed. LCA can get this set up in June ready to start on 1 July 2015. You can then start processing your July transactions straight away.*
- Once your June 2015 accounts are complete in your old system send LCA a copy and they will enter the comparative balances and fixed asset register. For those using an accounting package like MYOB LCA will get a backup and import any outstanding receivables or payables.*
- Once your 30 June 2015 balances are entered LCA will work with you on your interim reports for Parish internal use.*

- *Finally LCA will provide instructions and support for you to prepare your 2016 annual accounts using the template reports created for Parishes including the depreciation schedule and notes to the financial statements.*

How do we join?

- *Request and return the information sheet to xero@presbyterian.org.nz and LCA will get started on the set up and email you about any additional information they need for the set up including the bank feed forms*
- *Send LCA a copy of your 2014 annual accounts at xero@presbyterian.org.nz. This is simply for information so they can set up your chart of accounts with your parish specific codes within the standard chart.*

Pricing

- *The Xero monthly subscription includes unlimited bank transactions, invoicing, debtor and creditor functionality at \$38 per month plus GST. This is invoiced to you directly each month from PCANZ.*
- *Xero setup by LCA is \$800 plus GST for Parishes importing data from another accounting package and \$500 plus GST for those using a manual cashbook or spreadsheet or converting from another accounting package at year end with no import of data.*

*If you want to have Xero operational on 1 July LCA need to have your completed information sheet by **8 June** and you will need to send the signed bank feeds forms (which they will send you when they know which bank you use) by **15 June**. If you don't get the bank feeds coming through until a little after 1 July they can be manually entered but the most straight forward approach is to be ready to go on 1 July.*