



Presbyterian Church of Aotearoa New Zealand

FINANCE NEWSLETTER 205

TO: Parish Treasurers, Presbytery and Parish clerks

FROM: Sandra Kennerley, Manager, Financial Services

DATE: 26 July 2018

1.	Preparation of year end Financial Statements
2.	Increase in Xero Subscription fee
3.	Updated Mileage Rates from 1 July 2018

1. Preparation of Financial Statements for Year End

I have had a few phone calls from parishes with questions in regards to their year end accounts so thought I would take this opportunity to answer a couple of common questions.

Which tier do I fit under for reporting to Charity Services?

The tier levels are determined by the amount of your annual expenditure or operating payments of your two previous years and can be summarised as follows:

Tier 1	Over \$30 million annual expense
Tier 2	Under \$30 million annual expense
Tier 3	Under \$2 million annual expense
Tier 4	Under \$125,000 operating payments

For more information please check out the [Charity Services website](#). They have a lot of helpful information and webinars. Most parishes will fall into either Tier 3 or 4.

Do I need to be audited?

The Charities Act created statutory audit and review requirements for medium and large Registered Charities from 1 April 2015. This means that if your operating expenditure for each of the previous two accounting periods was:

- Over \$500,000 – your financial statements must be either audited or reviewed by a qualified auditor; or
- Over \$1 million – your financial statements must be audited by a qualified auditor.

Most parishes will come under the \$500,000 expenditure threshold, so will not have a statutory requirement to be either reviewed or audited. However, many churches do have audits and independent financial reviews as an internal management control.

The Book of Order for PCANZ states that the congregation must:

“....appoint a suitably qualified person to review or audit the accounts.”

An audit is an option but is not compulsory and the church may choose to have an independent financial review. Please note that a “review” as defined in the book of order does not have to be done by a qualified accountant but by a “suitably qualified” person.

For more information on this please check out the [Charity Services Website](#). This website also provides details on the difference between a review and an audit.

GST

- There is no GST on rental income or expenditure for a manse as this is residential.
- You can not claim GST on the costs associated with the manse, eg rates, power and water. I suggest that where there is a manse and a church building, two separate accounts are used in your accounting system, one with GST deducted for the church activity, and one with no GST for the manse costs. If the costs all arrive on the one bill, it is okay to use the property valuations to split the cost between GST payable and GST exempt.

Capital Items

As a general rule, any item of a capital nature should be expensed if it cost \$500 or less. Any amount over \$500 should be recorded as a fixed asset in your accounts.

Please take care when looking at items of repairs and maintenance. If the value is over \$500 but it is clearly a repair then the cost would be expensed to repairs and maintenance rather than recorded as a fixed asset.

I suggest you check with your accountant if you are in any doubt.

Lock your Data

Once you have finished your year end financial statements and are ready to submit them to Charity Services, please remember to go into your accounting package and lock your dates! In Xero you do this under Settings / General Settings / Financial Settings. This just ensures that nobody can go into your accounting system and change anything once your accounts are complete.

Assistance with Accounts

Finally, please remember that we offer support for parishes using Xero in the form of our agreement with Laurensen Chartered Accountants (LCA) to underwrite their guidance and support of the Presbyterian and Cooperating churches in the preparation of annual accounts, up to \$300 or three hours of their time.

This offer remains open to churches for the 2018 annual accounts and you may contact Avril Hillind at LCA on 04 477 1801 or email xero@presbyterian.org.nz if you require their support.

2. Increase in Xero subscription fees

Earlier this month I wrote to all treasurers advising them that the Xero subscription charges are increasing from 28 September 2018 for those on the standard package. If your parish pays this subscription via a direct debit in place with our office, this increase will automatically be adjusted. If payment is made independently, you will need to ensure that this is adjusted.

3. Updated Mileage Rates from 1 July 2018

2018 motor vehicle rates have been released by the Interchurch Bureau.

The suggested (maximum) reimbursement rates are as follows (present rates in brackets).

- Up to 14,000 km annual running for all purposes - reimburse work running at 77 cents (67 cents).
- Up to 20,000 km annual running for all purposes - reimburse at 62 cents (55 cents).
- Up to 26,000 km annual running for all purposes - reimburse at 54 cents (48 cents).
- For mileage beyond chosen band range - reimburse at 28.4 cents (25 cents).