The Uniting Church in Australia
QUEENSLAND SYNOD

Xero Help Guide/User Manual/ Definition Dictionary

Congregational Bookkeeping

Contents

Executive summary

The Uniting Church in Queensland will continually improve the services provided to congregations and their customer experience, as per the Synod Strategic Plan.

The congregational bookkeeping project allows us to better serve congregations by assisting them to deliver relevant, uniform and accurate financial information.

A survey conducted in December 2018 received 89 responses confirming the need to standardise the accounting/bookkeeping of congregations and presbyteries. A satisfaction survey undertaken after phase one was encouraging.

During 2019 a successful pilot was conducted whereby 10 congregations were converted to the Xero bookkeeping software. This document aims to provide users with a summary of the learnings of this pilot program and to enhance their experience.

The project grew to more than merely bookkeeping services and has allowed the Synod office to view in greater detail some of the significant financial issues facing congregations. It provides some solutions as to best practice for handling these situations. It also provides congregations with a standardised Chart of Accounts that is aligned to the annual report. This will aid treasurers in the preparation of future annual reports.

This document will be continually updated as further issues arise and forms a reference point for how to handle these. It also provides a catalogue of FAQ worksheets.

Peter Cranna

Executive Director, Strategic Resources

How does this fit in?

The Xero Bookkeeping/Accounting project is aimed at helping congregations and presbyteries in the Uniting Church network by providing an easy to use, cost effective and fit-for-purpose accounting system. From a coin in the collection tray to meeting the obligations of the Uniting Church in Australia Constitution, Xero is state-of-the-art, cloud-based software in the financial system.

A top-down view of Uniting Church structure highlights the position of Xero.

Church law

The Uniting Church in Australia

Accounting and Audit (3.8.7)

State law

The Uniting Church in Australia Act

1977

This allowed the formation of the legal entity.

The Uniting Church in Australia Property Trust (Q.)

Queensland Synod Finance and Property Board

Formed to administer church law in relation to property and deal with state law through the legal entity – The Property Trust (Q.).

Financial systems including Xero

xero

Treasurers and committees

Within The Uniting Church in Australia Property Trust (Q.), the ultimate responsibility for stewardship and compliance rests with the Queensland Synod Finance and Property Board.

The Board develops guidelines to help congregations and presbyteries to meet the Uniting Church Regulations and other governing laws such as taxation and statutory obligations. This is done in a spirit of partnership and kindness within all levels of the Uniting Church.

The Board has guidelines to help meet these obligations. One of these is the *Treasurers' Handbook* (latest version 1/5/2018). This will be updated to reflect the Xero implementation and the modernisation of financial systems that Xero can support.

Other key updates aimed at lifting the standard and unifying and modernising financial processes/guidelines:

- Changes to the annual report guidelines.
- A standard master Chart of Accounts based on the annual report.
- All congregations to prepare a balance sheet (acknowledging that some will be simple and may only include the bank account as an asset, balanced by retained earnings as equity).
- Within revenue threshold limits, church councils can choose whether to apply cash accounting or accrual accounting (it is recommended and supported by Xero to adopt accrual accounting) and to register or not register for GST.
- Each congregation must have an ABN or be part of a cluster that has an overarching ABN.
- Childcare centres and other specific activities that are externally regulated must have a separate ABN from the church congregation ABN.
- Beneficially used assets can be disclosed on a church congregation balance sheet.
- Subject to revenue thresholds (to be determined) depreciation should be accounted for, and can be adopted voluntarily below the thresholds.
- Specific reports will be developed and made available to other congregations.
- Standard reporting suite to assist at month, quarter and year-end.

Why Xero and why now?

After a thorough investigation into the bookkeeping/accounting requirements of the congregations of Uniting Church in Queensland, Xero was chosen as the preferred option.

Throughout Queensland, congregations and presbyteries are using a wide range of accounting systems, from a pen and paper to the latest version of MYOB. Most systems are centred around old desktop versions of Quickbooks, MYOB and other programs. All of these products are at the end of life and are no longer being supported. Users are being forced to move to a cloud version of the product in most cases.

For these reasons the Synod Finance team investigated options to address this issue (and many others listed below).

After looking at alternatives and seeking the advice of similar organisations, Xero was chosen as the option to deliver the best fit-for-purpose and value-for-money solution.

The advantages of Xero:

- A single accounting system approach. This allows Synod to substantially support the bookkeeping/accounting functions.
- The ease of use and common systems translate into a lower total cost for the Synod.
- A common system (consistent across Queensland) can help treasurers hand over to a new treasurer or take leave (holiday, illness and so on). The role can be supported by other treasurers in the Uniting Church network or the Synod Finance team.
- Minimises risk of data loss. Desktop versions are susceptible to data loss due to corruption of the computer or software.
- Designed to make preparation of the annual report easier.
- Highly portable, Xero can be used on any device (computer, tablet, phone) from anywhere with an internet connection.
- Secure through strong password and two-step authentication process.
- Far more accessible and transparent. Read-only access can be given to committee members and stakeholders.
- Simplifies auditing and external accounting support. The file can be accessed immediately and remotely by these professionals. This may translate into lower compliance fees.
- Easy to support; Synod and other accounting professionals can assist quickly via email or phone to help address issues.
- Reduces the time to enter data and produce accounts.
- No upgrades, so is always fully compliant and all users are on the same version.
- Fast and accurate reporting (including the annual report).
- Integrates with banking and can integrate with point-of-sale systems. This will give us an opportunity to reengineer financial systems.
- Ease of use; Synod has been working on developing a suite of tools to make the take-up and ongoing use of Xero as simple as possible.

In addition, Xero has a comprehensive support system that can be used by treasurers and committee and support staff.

Xero/Uniting Church Learning Centre

Getting started

Topic 1. Two-step authentication

Topic 2. Getting into and getting around Xero (see attached draft)

Topic 3. Chart of Accounts and making changes

Topic 4. Menu structure

Topic 5. General settings

Orientation and overview of functions and reports

Topic 1. Files, attaching supporting documents

Topic 2. Tracking

Topic 3. Contacts

Topic 4. Bank rules

Topic 5. Managing users

Day-to-day functions

Topic 1. Enter manual transactions – spend and receive money

Topic 2. Recording supplier invoices

Topic 3. Bank transactions and reconciliations

Topic 4. Enter manual transactions – spend and receive money

Topic 5. Enter manual transactions – journals

Topic 6. Create and track sales

Topic 7. Reporting

Month, quarter and year-end

Topic 1. Month-end checks and adjustments

Topic 2. Quarter-end – getting ready for the BAS

Topic 3. Year-end – getting ready for the annual report

Topic 4. Budgeting

Advanced

Topic 1. Adjusting/customising reports

Topic 2. Adjusting budgets

Topic 3. Depreciation and assets (using fixed assets)

Topic 4. Find and recode

Xero has a wide variety of online training videos and tools. This document tailors learning to what a congregation may encounter.

Chart of Accounts

Across the Uniting Church in Queensland there are a wide range of accounting and reporting requirements. After considering the alternatives, it was decided to go with a Chart of Accounts based on the annual report guidelines (See Appendix 2). From here, the specific needs of the congregation/presbytery are taken into account.

From the universal Chart of Accounts (See Appendix 3), five broad categories of charts have been developed:

Universal chart based on the annual report guidelines

Presbytery	Cluster	Churches (congregations) standard	Churches (congregations) simple	Other
Chart based on presbytery budgeting process.	Combines two or more churches (congregations). Examples: Living Faith Destiny Together	This will be the most used chart. It can accommodate cash vs accrual accounting and P&L + balance sheet.	This is for simple financial requirements. It can accommodate cash only and P&L and a basic balance sheet.	There are a few congregations that have a more complex financial system or business operation. These include: • Multiple ABNs • Childcare centre • Retirement village A separate Xero file is required for every ABN.

Overall, no matter which Chart of Accounts is adopted, it can be tailored to fit your needs.

- Flexibility to tailor to your reporting needs.
- Adaptable to the financial systems and vice versa. Xero's functionality opens up the possibility of reengineering the processes that feed into it.

Summary of the Chart of Accounts structure

Account type	Account range	Annual report reference
Income	2000–3999	Income: I–1 to 1–19
Other – Non Operating Income	2400–2499	Other income: CR–1 to CR–4
Expenses	4000–4399	Expenses: E–1 to E–42
Other – Non Operating Expenses	4400–4499	Other Expenses: CP–10 (accrual + balance sheet)
		Other Expenses: CP–1 to CP–10 (cash + no balance sheet)
Assets	6000–6999	Bank accounts F1 to F5 and petty cash
		Receivables
		Fixed Assets CP 1 to CP–10
Liabilities	8000–8999	Liabilities: L1 to L3
		GST
		Sub Entities (minuted) I–16 & E–37
		Mission Activity/Group – Net activity I–18 & E–23
		Funds held for Surplus Business Activity I–19 & E–42
		Special Purpose Funds (minuted) I–15 $ EXX
Equities and reserves	9000–9999	Retained Earnings and Reserves.

Classification of congregations for accounting purposes

Why is this important?

- Tailor Chart of Accounts (some are simpler than others)
- Selection of accounting methodology
  - cash vs accrual
  - register for GST or not
  - subject to audit and review
- Tailor advice/processes.

Classification is based on revenue/income

Key thresholds:

ACNC legislation that applies to churches

Annual revenue PA	Less than $150k (below GST registration threshold)	Between $150k to $250k ACNC	Between $250k to $1m ACNC	Over $1m ACNC
GST	Doesn't have to register but can	Must register	Must register	Must register
Audit/review (UCA Regulations)	Review	Audit	Audit	Audit
Cash vs accrual accounting	Either	Either	Accrual	Accrual
Min. balance sheet	Bank Account/equity (no GST) Bank Account/equity/GST (GST registered)	Bank Account/equity/GST	Full	Full
ACNC Classification *check	ABN: assumed registered charity=assumed basic religious charity	ABN: assumed registered charity=assumed basic religious charity	ABN: assumed registered charity=assumed basic religious charity	Not a basic religious charity
ACNC reporting	Annual information statement (not financials)	Annual information statement (not financials)	Annual information statement (not financials)	
General purpose accounts	Special	Special	Special	General
Standard chart usage	1.If cash accounting 2.If accrual accounting	1.If cash accounting 2.If accrual accounting	2.	2.
Depreciation	No if use cash accounting	No if use cash accounting	Choice	Yes if use general purpose accounting

Classification of church activities

Different types of activities

Many churches run a variety of activities. These can be classified as follows:

- Mission Activities – youth group, brigades, playgroup, fellowship groups and so on.
- Property Usage – renting of manse in the private rental market, renting of church/hall, renting of commercial property and so on.
- Surplus Generating Activities – fetes, garage sales, pie/chocolate drives, opportunity/thrift shops and so on.
- Government-regulated Activities – childcare centres, retirement villages and so on.

These activities all have different motivations and objectives and need to be classified differently on the annual return and accounted for differently.

Mission Activities:

Could otherwise be accounted for as General Church Activities. No expectations of profit generation. Any income is to be classified at I–18 Mission Activity Receipts (formerly I–19 Other Receipts). Expenses to be classified at E–23 Mission Activity Costs.

Property Usage:

The categorisation of income and expenditure has not changed for annual return purposes.

Surplus Generating Activities:

The definition has changed since the 2018 annual return. This was previously known as Income Generating/Business Activity Receipts. To be classified here, the motivation for the activity needs to be either fundraising or business-related and must have an expectation of generating a surplus.

The activity must use the congregation ABN and come under the congregation insurance. It must not have been classified as a Not for Profit Sub Entity (see below) otherwise it is subject to separate treatment.

Government-regulated Activities:

These are likely to be childcare centres or family daycare operations. There is one congregation that operates a retirement village that also falls into this category. These activities must have a separate ABN and be accounted for separately from the congregation books, otherwise the congregation cannot be classified as a basic religious charity for ACNC purposes.

As the Government-regulated Activities have a separate ABN and should not be combined with the congregation books, the annual accounts of the Government-regulated Activity do not form part of the annual return. Instead of completing an annual return, the annual audited financial statements should be forwarded at the same time as the congregation annual return is submitted.

It is understood that Government-regulated Activities may make payments to congregations that are described as rent or contributions to utility costs and so on. For consistency, these should be accounted for under I–13 Other Property Income.

Some churches have chosen to classify certain church activities as Not for Profit Sub Entities. This is a specific Australian Tax Office classification and is the subject of a separate information sheet. If an activity is classified as a Not for Profit Sub Entity then the income generated is to be shown at I–16 Receipts from Congregation Sub Entities and the applicable expenses shown at E–37. This is regardless of whether the activity would have been otherwise classified as a Mission Activity or a Surplus Generating Activity.

As there are GST consequences for classifying activities as a Not for Profit Sub Entity, please read the separate information sheet and ensure you understand these consequences.

A church that is NOT registered for GST and a Government-regulated Activity with a separate ABN CANNOT have or be a Not for Profit Sub Entity.

Accounting for activities in Xero

Your church may wish to keep track of various activities such as youth groups, fellowship groups, brigades, fundraising activities and so on. If you don't want to keep track of the income they bring in and the expenditure they incur, that is fine. There is no external requirement to do so. It's really a matter of what suits your church best.

There are two scenarios:

- Activities are already separately accounted for in a certain way.
- You want to start separately recording certain activities.

To date there are four different scenarios for activities that are already being separately accounted for:

Included

Separate account codes in the chart for income and expenditure. Part of the church books. Accounted for by the church treasurer.

Totally separate

A person other than the church treasurer maintains a set of books for the activity. A separate bank account is held.

Partially separate

A person other than the church treasurer maintains a set of books for the activity. The church bank account is used to hold the net funds of the activity.

Government regulated
These are likely to be childcare centres or family daycare operations. These activities should have a separate ABN and be accounted for separately from the congregation books.

Recommended ways of accounting for the various activities:

Included

Use the features of Xero software and use transaction categories to segregate the various activities. This will also ensure that the activity transactions are included in the BAS return (if the church is registered for GST).

Totally separate

This is the most interesting treatment of a church activity. It is important that a summary of transactions for each quarter is included in the church books (quarterly if the church is registered for GST and pays GST quarterly).

The net quarterly surplus or deficit would be reflected as an asset or liability.

Partially separate

Like the "totally separate" example above, the net result transaction will need to be accounted quarterly, which should be done as the church bank account is used. Instead of using retained earnings, a liability account should be used that is equal and opposite to the funds put in the church bank account from the church activity.

Government regulated

As noted above, these activities need to have their own ABNs and be accounted for separately; both a separate set of books and separate GST registration.

Assets and depreciation

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Land and buildings

Freehold land and buildings are measured at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, three to five yearly valuations by external independent valuers. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated as the revalued amount of the asset. A revaluation surplus is credited to the asset revaluation reserve included within equity unless it reverses a revaluation decrease on the same asset class previously recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation surplus on the same asset class in the asset revaluation reserve.

Plant and equipment

All other plant and equipment are stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments losses.

The carrying amount of plant and equipment is reviewed annually by the Synod Standing Committee to ensure it is not in excess of the recoverable amount from these assets. If an impairment indicator exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed In the Statement of Comprehensive Income as an impairment expense.

The cost of fixed assets constructed within the Synod office includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Synod office and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Where the future economic benefits of assets are not primarily dependent on the asset's ability to generate net cash inflows and where the Synod office would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of the asset.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Building	40 years	2.5%
Vehicles	5 years	20.0%
Furniture, fittings and equipment	5–15 years	20.0% to 6.7%
Computer hardware	3 years	33.3%

The asset's residual values and useful lives are reviewed annually and are adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount, and are included in the Statement of Comprehensive Income in the year that the item is derecognised.

Intangibles

Computer software

All computer software is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less amortisation and any impairments losses.

The carrying amount of computer software is reviewed annually by the Synod Standing Committee to ensure it is not in excess of the recoverable amount from these assets.

Amortisation

Amortisation on computer software is calculated on a straight-line basis over the estimated useful life of the assets, being three to 10 years. The asset's residual values and useful lives are reviewed annually and are adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are calculated as the difference between the new disposal proceeds and the asset's carrying amount and are included in the Statement of Comprehensive Income in the year that the item is derecognised.

(See Assets and Depreciation – Quick tips in the UC/Xero User Guide)

Frequently asked questions

Should I use cash or accrual accounting?

- Cash vs accrual: Xero uses a perpetual ledger. That is, multiple years can be accessed and transacted. This is different from the traditional desktop versions. They employ a periodic system that "rolls over", closing off the cash books and ledgers.
- One of the advantages of this is that it allows you to run both a cash and accrual system with little effort.

This is made possible by following simple accounting processes. For example:

1. Received phone bill $100 dated 14/9/19, due 28/9/19.
2. Create a bill to pay in Xero – upload bill to files.
3. Pay bill on the 28/9/19.
4. Bank feed will match bill the next day, press "OK".

See ATO discussion on this topic:

ato.gov.au/business/gst/accounting-for-gst-in-your-business/choosing-an-accounting-method/

(Seek advice from the Synod Finance team on this and GST issues where appropriate)

Should I have a balance sheet?

If you have a bank account, any assets that you buy or look after, or have groups such as a youth group that have funds in your account or you have custody over, the answers is yes.

Putting them on the balance sheet takes little effort, and Xero is designed for this. It also makes your accounts transparent and easy to use.

How do I treat leases?

There are two common types of lease transactions:

1. Lease of plant and equipment, such as photocopier, car or kitchen equipment.
2. Residential (manse) or commercial lease (church or hall).

These are completely different from an accounting point of view.

1. Lease Standard AASB 16 will influence the treatment. Contact the Synod Finance team to discuss the best way to account for your lease.
2. The more common and straightforward type of lease is the residential rental agreement. This will have straightforward transactions:

Received: rent or bond

Xero will handle the account. Here are the underlying accounting entries:

(See Renting manse, Accommodation, Hall and church Quick tips in the UC/Xero User Guide)

DR Bank (F–2)

CR Rent Received I–12 (Manse or I–13 for church/hall)

DR Bank (F–2)

CR Bond Received F–7

Paid: rent, bond, expense or purchase equipment:

DR Rent Paid Ev10

CR Bank (F–2)

DR Bond Paid L–4

CR Bank (F–2)

DR Rental Expense E–9 to 16

CR Bank (F–2)

DR Manse/Hall Plant & Equipment CP8

CR Bank (F–2)

Appendix 1 Quick tip fact sheets

Navigating Xero

Tracking categories

Budgeting

Simplified BAS

Bank reconciliations

Reporting

How do I account for cash, cheque and electronic offerings?

How do I split expenses, such as electricity between manse, church and hall?

How do I treat under or over payments?

How do I treat prepayments?

What if income raising and its associated expenses goes over one or more accounting periods – for example, saving for solar panels?

Should I account for assets, and how?

Should I account for depreciation?

Should I have sub entities/groups on the balance sheet?

What if I have two or more ABNs?

How do I hand over to a new treasurer?

Appendix 2 Annual Return Guidelines (V2019.2)

Appendix 3 Full Master Chart of Accounts

Revisions

Owner	Contact details	Group/team	Document status
Suren Surendran	07 3377 9730	Finance	Draft

Version	Date	Prepared/changed by	Description of change
1.1	13/08/2019	Brett Hinds (Sum it Up Accounting)	Initial draft to check progress and direction.
1.2	23/08/19	Toni Atkin – Mission Accountant	Review and changes to format.
1.3		Peter Cranna – Executive Director Strategic Resources	
1.4			

Approved by	Date	Position	Signature
Peter Cranna		Executive Director Strategic Resources	