

Curriculum Guide for Presentations on:

Introduction to the Plant Fund

Goal: To acquaint treasurers and managers with the purpose and rationale for the Plant Fund as outlined in the SDA Accounting Manual, with the goal of making the Plant Fund and its associated entries both understandable and useful for decision-making. This presentation is not intended to be exhaustive, as might be done for the accountants who will be making the entries, but it does recommend the inclusion of examples of journal entries required by the Plant Fund accounts.

Points to cover when presenting an introduction to the Plant Fund for treasurers and managers:

1. Define a Fund (as used in fund (not-for-profit) accounting) and outline the purpose of a Fund (e.g., to emphasize the stewardship responsibilities of the organization).
2. Note that transactions within and between funds require a complete entry (both debit and credit) in each fund because each fund is a separate entity. Explain the use of “Due From” and “Due To” accounts to record inter-fund transactions if cash is not transferred. Note that if cash is transferred between the funds, the use of “Transfer” accounts is appropriate. Transactions between funds do not increase or decrease the total resources of the organization and thus cannot be accounted for as revenues or expenses.
3. Identify the common types of funds (e.g., operating, plant, retirement, endowment) and briefly explain the purpose of each type of fund, with special emphasis on the purpose of the plant fund.
4. Note that the Plant Fund accounts for two types of plant expenditures:
 - a. Resources that are *available for future acquisitions* of property, plant, and equipment. These resources are held in the Unexpended Plant Fund. Provide examples of such accounts. Note that on the financial statements these accounts are non-current assets because they will be used to purchase property, plant, and equipment (rather than for operating purposes).
 - b. Resources that *have been spent* for property, plant, and equipment. These resources are held in the Invested in Plant Fund. Provide examples of such accounts.

Author’s note: Experience has taught the author that it is easier and more understandable to the audience if the presenter initially explains the journal entries for the Plant Funds using both the Unexpended Plant and the Invested in Plant funds, even if the organization ultimately chooses to combine these two funds into one in their own accounting records. Explaining what is happening is easier to follow if the illustrated journal entries separate the resources available for future acquisitions from the resources that have been spent.

5. Identify the sources of increase and decrease expected to be accounted for in the Unexpended Plant Fund and give examples. Explain that the fund balance can be either unallocated or allocated/restricted depending on the source of the funds and any instructions from the Executive Committee or the donors. Emphasize that resources from the Operating Fund designated for future asset acquisitions and debt service should be recorded as transfers from the Operating Fund to the Unexpended Plant Fund (not recorded as revenue/expense).
6. Identify the sources of increases and decreases expected to be accounted for in the Invested in Plant Fund and give examples. Explain how the fund balance is calculated (i.e., mortgages for property will be netted against the property assets to arrive at the fund balance in the Invested in Plant Fund.) Emphasize that payments to acquire plant assets are recorded as transfers between the Unexpended and Invested in Plant funds (not recorded as revenue/expense)
7. Using an example of the Statement of Changes in Net Assets, illustrate that the final total of transfers for the entire entity will be reported as zero. Transfers between funds does not increase or decrease the organization's net assets.
8. Walk through journal entries for each of the following types of transactions (the author recommends initially using the examples from the SDA Accounting Manual, as explaining these examples provides the audience members with materials they can subsequently refer back to for further study).
 - a. Acquisition of Assets
 - b. Disposition of Assets
 - c. Depreciation of Assets
 - d. Payment of long-term liabilities
 - e. Funding for future replacements
9. Note that the "Due To" and "Due From" accounts are to be used on a current basis, not for formal long-term borrowing between funds. Long-term borrowing should be formalized and voted by the governing committee and identified as "Loan From" and "Loan To" accounts.
10. Discuss the funding of depreciation (which requires actual cash transfers from the Operating Fund to the Unexpended Plant Fund and result in a reduction of cash for operations and an increase in cash available for the replacement of plant assets). Note that "Accumulated Depreciation" is the total of all depreciation expense taken against the depreciable assets; it does not relate to any cash resources available for replacing property, plant or equipment.