

An Introduction to Fund Accounting

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**Presentation For Treasurers
Inter-American Division
October 19 and 20, 2009**

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What is Fund Accounting?

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- Activities are divided into “funds”
- Each “fund” is an accounting entity

What is Fund Accounting?

3

- In fund accounting, transactions are classified for accounting and reporting in accordance with:

Activities

Objectives

Limitations

What is a Fund?

4

- A fund is a separate accounting entity with a self-balancing set of accounts for recording:
 - Assets
 - Liabilities
 - Net Assets
 - Financial Activity

What is a Fund?

5

- Transactions within and between funds require a complete entry (both debit and credit)
- To record inter-fund borrowing, use “Due From” and “Due To” accounts

Does GAAP Require Fund Accounting?

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- No.
- But GAAP allows it to be used if it is considered necessary.

Why Does Our Church Think it is Necessary?

7

- The segregation of resources into funds is the best way to monitor and report on the entity's stewardship responsibility.

Why Does Our Church Think it is Necessary?

8

- Fund accounting also assists in:
 - Assessing financial condition
 - Comparing actual results with the budget
 - Complying with restrictions on the use of funds
 - Evaluating efficiency and effectiveness

Which Church Entities are Required to Use Fund Accounting?

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- All Conferences and Missions
- All Colleges and Universities
 - If their financial statements include land, land improvements, and buildings.
 - (If the entity has only equipment and furnishings, fund accounting is not required.)

Which Church Entities are *Not* Required to use Fund Accounting?

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- Secondary Schools
- Publishing Houses
- Book Centers
- Literature Evangelism Entities
- Industry Operations

What Special Recommendation does the Church Make?

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- Secondary schools should consider using fund accounting when they have significant endowment or other funds in addition to the funds used for operating and property purposes, or they own significant property assets.

Common Types of Funds Used by Church Entities

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- Operating Fund
- Plant Fund
- Retirement Fund
- Endowment Fund

What is the Purpose of an Operating Fund?

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- To receive and administer all operating income of an organization including:
 - Management of funds based on the financial plan
 - Transfers to senior organizations
 - Transfers between funds

What is the Purpose of a Plant Fund?

14

- To account for the resources that are available to make future acquisitions of plant assets
 - Unexpended Plant Fund

- To account for the resources that have been spent to acquire plant assets
 - Investment in Plant Fund

What is the Purpose of a Retirement Fund?

15

To administer the receipt and disbursement of resources relating to retirement benefits.

What is the Purpose of an Endowment Fund?

16

- To administer the corpus (principal) of funds from which the earnings are to be used for a specified purpose.
 - True endowments- The donor makes a gift with a stipulation that the principal is to be maintained and invested for the purpose of producing revenue for a specific function.
 - Quasi endowment- The controlling committee, not a donor, has determined the funds are to be invested similarly to an endowment.

What are the Financial Statements for each Fund?

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- Statement of Financial Position
- Statement of Financial Activity (Income Statement)
- Statement showing Changes in Net Assets (Equity)
- Statement of Cash Flows

- Notes to the Financial Statements
 - Not required for each fund when a complete statement is presented

End of Part I

What is a Fund?

19

- A separate accounting entity with a self-balancing set of accounts for recording:
 - Assets
 - Liabilities
 - Net Assets
 - Financial Activity

Understanding the Operating Fund

20

- The Operating Fund receives and administers all operating income of the organization and disburses the funds in accordance with the organization's financial plan.

SAMPLE UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
Combined Statement of Financial Position (International Model)
31 December 20X1 and 20X0

Appendix 17A.01

ASSETS	Operating Fund	Plant Fund	Total 20X1	Total 20X0
<u>Current Assets</u>				
Cash & Cash Equivalents (Note 3)	2,249,598		2,249,598	2,272,251
Investments (Note 4)	8,571,777		8,571,777	5,840,869
Accounts Receivable (Note 5)	9,069,178		9,069,178	8,042,572
Loans Rec. - Current Portion (Note 6)	886,033		886,033	750,000
Supplies & Prepaid Expense (Note 7)	241,995		241,995	337,914
Total Current Assets	21,018,581		21,018,581	17,243,606
<u>Land, Buildings, and Equipment</u> (Note 8)		4,975,856	4,975,856	2,505,436
<u>Other Assets</u>				
Due From Other Funds	2,000		0	0
Restricted Currency Receivable (Note 15)	180,000		180,000	86,000
Loans Rec. - Noncurrent (Note 6)	4,276,542		4,276,542	5,803,827
Cash & Invest., Non-operating (Note 9)		1,245,890	1,245,890	41,235
Total Other Assets	4,458,542	1,245,890	5,702,432	5,931,062
Total Assets	25,477,123	6,221,746	31,696,869	25,680,104
LIABILITIES				
<u>Current Liabilities</u>				
Accounts Payable (Note 10)	955,057		955,057	820,057
Offering & Agency Accounts (Note 11)	7,200,452		7,200,452	4,526,233
Loans Pay. - Current Portion (Note 12)	697,450		697,450	435,456
Total Current Liabilities	8,852,959		8,852,959	5,781,746
<u>Other Liabilities</u>				
Due to Other Funds		2,000	0	0
Restricted Currency Payable (Note 15)	180,000		180,000	86,000
Loans Pay. - Noncurrent (Note 12)	2,140,744	1,000,000	3,140,744	2,375,000
Total Other Liabilities	2,320,744	1,002,000	3,320,744	2,461,000
Total Liabilities	11,173,703	1,002,000	12,173,703	8,242,746
NET ASSETS				
Unallocated Tithe Function	3,041,556		3,041,556	3,280,762
Unallocated Non-tithe Function	3,462,935		3,462,935	3,067,025
Allocated Functions	7,798,929		7,798,929	8,522,900
Unexpended Plant Function		1,243,890	1,243,890	61,235
Invested in Plant Function		3,975,856	3,975,856	2,505,436
Total Net Assets	14,303,420	5,219,746	19,523,166	17,437,358
Total Liabilities & Net Assets	25,477,123	6,221,746	31,696,869	25,680,104

Inter-fund borrowing is eliminated in the total columns.

The accompanying notes are an integral part of these financial statements.

Understanding the Operating Fund

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- Net Assets in the Operating Fund are displayed as:
 - Unallocated Tithe Function
 - Unallocated Non-Tithe Function
 - Allocated Functions

Understanding the Operating Fund

- “Unallocated” - Resources available for the general purpose of the organization, without any designation by the governing committee.
- “Allocated” - Resources designated to be used for a particular purpose by the governing committee, with the authority to change it at any later date.

Understanding the Operating Fund

- “Tithe” - Primary source of revenue for church ministry operations, received in the form of donations from individual church members.
- “Non-Tithe” - Sources of revenue for denominational activities, excluding tithe.

SAMPLE UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
Combined Statement of Financial Activity (International Model)
Years Ended 31 December 20X1 and 20X0

Appendix 17A.02

	Operating Fund *	Plant Fund	Total 20X1	Budget 20X1	Total 20X0
OPERATING ACTIVITY					
<u>Earned Income</u>					
Tithe (net) (Note 14)	5,874,785		5,874,785	5,556,000	5,560,152
Specific Donations	97,961		97,961	0	702,521
Total Investment Income (Note 4)	845,186		845,186	840,000	557,384
Net Exchange Gain (Loss) - General	3,297		3,297	0	(18,741)
Other Operating Income	191,172		191,172	200,000	21,507
Total Earned Operating Income	7,012,701		7,012,701	6,596,000	6,822,823
<u>Operating Expense</u>					
Employee-related Expense (Note 16)	6,409,558		6,409,558	6,192,000	6,867,214
Administrative & General Expense	2,210,131	180,009	2,390,140	2,368,500	2,717,004
Departmental Expense	1,196,710		1,196,710	1,151,500	1,136,118
Other Operating Expense	1,101,984		1,101,984	968,000	1,167,324
Total Operating Expense	10,918,683	180,009	11,098,692	10,980,000	11,887,960
Increase (Decrease) before Approp.	(3,905,982)	(180,009)	(4,085,991)	(4,384,000)	(5,065,137)
<u>Operating Appropriations</u>					
Tithe Appropriations Received	8,636,721		8,636,721	8,625,000	8,204,885
Tithe Appropriations Disbursed	(5,510,223)		(5,510,223)	(4,850,000)	(3,572,250)
Non-tithe Appropriations Received	1,524,127		1,524,127	1,500,000	1,447,925
Non-tithe Appropriations Disbursed	(978,667)		(978,667)	(875,000)	(629,391)
Net Exchange Gain (Loss) Op. App.	26,775		26,775	0	(1,009)
Net Appropriations Retained	3,698,733		3,698,733	4,400,000	5,150,160
Increase (Decrease) after Approp.	(207,249)	(180,009)	(387,258)	16,000	385,023
CAPITAL ACTIVITY					
Capital Appropriations Received	19,991	560,929	580,920	580,920	2,060,640
Other Capital Income (Note 17)		2,080,657	2,080,657	1,095,000	71,920
Capital Appropriations Disbursed	(200,000)		(200,000)	(360,000)	0
Gain (Loss) on Sale of Assets		0	0	0	(54,562)
Net Exchange Gain (Loss) Cap. App.		11,489	11,489	0	0
Net Capital Increase (Decrease)	(180,009)	2,653,075	2,173,066	1,315,920	2,077,998
Increase (Decrease) before Transfers	(387,258)	2,473,066	2,085,808	1,331,920	2,463,021
TRANSFERS					
From Non-tithe to Unexpended Plant	(180,009)	180,009	0	0	0
Net Increase (Decrease) for the Year	(567,267)	2,653,075	2,085,808	1,331,920	2,463,021
Net Assets, Beginning of Year	14,870,667	2,566,671	17,437,358	17,437,358	14,974,337
Net Assets, End of Year	14,303,420	5,219,746	19,523,166	18,769,278	17,437,358

* See Note 18 for expanded detail of the operating fund.

The accompanying notes are an integral part of these financial statements.

Understanding the Plant Fund

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- The Plant Fund accounts for two types of plant expenditures:
 - Resources that *are available* for future acquisitions of property, plant, and equipment. These resources are held in the Unexpended Plant Fund.
 - Resources that *have been spent* for property, plant, and equipment. These resources are held in the Invested in Plant Fund.

Understanding the Plant Fund

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- Resources that *are available* for future acquisitions are held in the **Unexpended Plant Fund**
- Examples: cash, investments, receivables, amounts due from other funds
- These resources are considered non-current assets

Understanding the Plant Fund

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- **Unexpended Plant Fund** revenue comes from:
 - Donations for plant fund purposes
 - Revenue from investments
 - Transfers from other funds.

Understanding the Plant Fund

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- **Unexpended Plant Fund** disbursements are for:
 - The acquisition of plant assets
 - The repayment of debt on plant assets

Understanding the Plant Fund

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- Resources that *have been spent* to acquire plant assets are held in the **Invested in Plant Fund**.
- Examples: long-lived assets owned by the entity, depreciation and disposition of those assets, and any related debt.
- These assets and liabilities are considered non-current.

SAMPLE UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
 Combined Statement of Financial Position (International Model)
 31 December 20X1 and 20X0

Appendix 17A.01

ASSETS	Operating Fund	Plant Fund	Total 20X1	Total 20X0
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<u>Land, Buildings, and Equipment</u> (Note 8)		4,975,856	4,975,856	2,505,436
<u>Other Assets</u>				
Duc From Other Funds	2,000		0	0
Restricted Currency Receivable (Note 15)	180,000		180,000	86,000
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Total Assets	<u>25,477,123</u>	<u>6,221,746</u>	<u>31,696,869</u>	<u>25,680,104</u>
LIABILITIES				
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Accounts Payable (Note 10)	955,057		955,057	820,057
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Total Net Assets	<u>14,303,420</u>	<u>5,219,746</u>	<u>19,523,166</u>	<u>17,437,358</u>
Total Liabilities & Net Assets	<u>25,477,123</u>	<u>6,221,746</u>	<u>31,696,869</u>	<u>25,680,104</u>

Inter-fund borrowing is eliminated in the total columns.

The accompanying notes are an integral part of these financial statements.

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Combined Statement of Financial Activity (International Model)
Years Ended 31 December 20X1 and 20X0

Appendix 17A.02

OPERATING ACTIVITY	Operating Fund *	Plant Fund	Total 20X1	Budget 20X1	Total 20X0
Earned Income					
Tithe (net) (Note 14)	5,874,785		5,874,785	5,556,000	5,560,152
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Net Exchange Gain (Loss) - General	3,297		3,297	0	(18,711)
Other Operating Income	191,472		191,472	200,000	21,507
Total Earned Operating Income	7,012,701		7,012,701	6,596,000	6,822,823
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Total Operating Expense	10,618,683	180,009	11,098,692	10,980,000	11,867,960
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Net Exchange Gain (Loss) Op. App.	26,775		26,775	0	(1,009)
Net Appropriations Retained	3,698,733		3,698,733	4,400,000	5,450,160
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CAPITAL ACTIVITY					
Capital Appropriations Received	19,991	560,929	580,920	560,920	2,060,640
Other Capital Income (Note 17)		2,080,657	2,080,657	1,095,000	71,920
Capital Appropriations Disbursed	(200,000)		(200,000)	(360,000)	0
Gain (Loss) on Sale of Assets		0	0	0	(54,562)
Net Exchange Gain (Loss) Cap. App.		11,489	11,489	0	0
Net Capital Increase (Decrease)	(180,009)	2,653,075	2,473,066	1,315,920	2,077,998
Increase (Decrease) before Transfers	(387,258)	2,473,066	2,085,808	1,331,920	2,463,021
TRANSFERS					
From Non-tithe to Unexpended Plant	(180,009)	180,009	0	0	0
Net Increase (Decrease) for the Year	(567,267)	2,653,075	2,085,808	1,331,920	2,463,021
Net Assets, Beginning of Year	14,870,687	2,566,671	17,437,358	17,437,358	14,974,337
Net Assets, End of Year	14,303,420	5,219,746	19,523,166	18,769,278	17,437,358

* See Note 18 for expanded detail of the operating fund.

The accompanying notes are an integral part of these financial statements.

Understanding the Plant Fund

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- Net Assets in the Plant Fund are displayed as:
 - Unexpended Plant Function
 - Invested in Plant Function

Understanding the Plant Fund

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- **Types of Transfers in the Plant Fund:**
 - Payments to acquire plant assets are recorded as transfers between the Unexpended and the Invested in Plant Funds.
 - Resources from the Operating Fund (for future asset acquisitions and debt service) are recorded as transfers from the Operating Fund to the Plant Funds.

Understanding the Retirement Fund

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- The Retirement Fund administers the receipts and disbursements of resources for retirement benefits.
- The Statement of Changes in Net Assets should show:
 - Contributions and other income
 - Benefits paid and accrued and other expenses
 - Resulting net increase/decrease to net assets

Understanding the Retirement Fund

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- For the period presented, the increase or decrease to net assets is combined with the beginning net assets to arrive at the ending net assets

Understanding the Endowment Fund

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- The Endowment Fund administers the corpus of the endowments, which may be of two types:
 - True Endowments
 - Quasi Endowments

Understanding the Endowment Fund

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- **True Endowments:**
 - The principal will be recorded as permanently restricted net assets.
 - Unrestricted investment earnings will be credited to unrestricted revenue in the Operating Fund.
 - Restricted investment earnings will be credited to restricted endowment income in the appropriate fund.

Understanding the Endowment Fund

39

- Quasi Endowments:
 - The principal will be recorded as unrestricted allocated net assets.
 - May be recorded in an operating fund if the organization holds no true endowments.

End of Part II

Transfers Between Funds

41

- Flow of allocated resources between funds are *transfers*, not revenues and expenses
- Transactions between funds do not increase or decrease the total resources held by the organization as a whole

Transfers Between Funds

42

- Total transfers out of one fund must be equal to the total transfers into the other fund.
- The final total of transfers for the whole entity will be reported as *zero*.
- If the transfer totals do not equal, an error has been made. Investigate and resolve!

SAMPLE UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
Combined Statement of Changes in Net Assets (International Model)
Year Ended 31 December 20X1

Appendix 17A.03

	Balance 31-12-20X0	Income	Expense	Transfers From (To)		Balance 31-12-20X1
				Unallocated & Allocated	Operating & Plant	
OPERATING FUND:						
Unallocated						
Tithe	3,280,762	9,203,774	9,242,980	(200,000)	0	3,041,556
Non-tithe	3,067,025	1,399,618	1,307,703	184,004	(180,009)	3,162,935
Total Unallocated	6,347,787	10,603,392	10,550,683	284,004	(180,009)	6,504,491
Allocated						
(Tithe-allowable Functions)						
Constituency Session	1,004,342	0	20,000	0	0	984,342
Evangelism - Big Cities	772,895	9,260	105,000	5,000	0	682,155
Evangelism - Rural Areas	632,368	8,701	140,000	5,000	0	506,069
Extended Inter-union Service	285,517	0	10,000	0	0	275,517
Health Outreach	808,299	25,000	60,000	25,000	0	798,299
Leadership Training	706,944	20,000	18,000	0	0	708,944
(Non-tithe-related Functions)						
Contingency	2,214,795	0	0	(297,120)	0	1,917,675
Exchange Fluctuation - Op.	927,602	30,072	0	(100,000)	0	857,674
Global Mission	553,699	0	195,000	0	0	358,699
Gathering Reversion	0	35,000	0	(35,000)	0	0
Insurance	181,237	0	15,000	0	0	176,237
Religious Liberty	425,202	0	5,000	0	0	420,202
Securities Fluctuation	0	0	0	113,116	0	113,116
Total Allocated	8,522,900	128,033	568,000	(281,004)	0	7,798,929
Total Operating Fund	11,870,687	10,731,425	11,118,683	0	(180,009)	11,303,420
PLANT FUND:						
Unexpended Plant						
General / Unspecified	49,473	641,184	0	(512,429)	180,009	358,237
Building Projects - Donated	0	1,974,512	0	(1,200,000)	0	774,512
Building Projects - Allocated	8,000	75,890	0	0	0	83,890
Equipment Acquisitions	2,000	0	0	12,000	0	14,000
Exchange Fluctuation - Cap.	1,762	11,489	0	0	0	13,251
Total Unexpended Plant	61,235	2,703,075	0	(1,700,429)	180,009	1,243,890
Invested In Plant						
Invested in Plant	2,505,436	0	230,009	1,700,429	0	3,975,856
Total Plant Fund	2,566,671	2,703,075	230,009	0	180,009	5,219,746
Total All Funds	17,437,358	13,434,500	11,348,692	0	0	19,523,166

The accompanying notes are an integral part of these financial statements.

Journal Entries in the Plant Fund

- Acquisition of Assets – Undivided Plant Fund:
- Assume purchase of land and house for employee housing; total price of 100,000, of which 30,000 is paid in cash from unexpended plant resources, and the remainder is financed with a long-term note. The total cost is divided 20,000 for the land and 80,000 for the building.

Journal Entries in the Plant Fund

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- Undivided Plant Fund:

○ Employee Housing – Land	20,000	
○ Employee Housing - Buildings	80,000	
○ Cash in Bank		30,000
○ Mortgage Payable		70,000

Journal Entries in the Plant Fund

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- Undivided Plant Fund:

- Unexpended Plant Function--

- Transfer to Invested in Plant 30,000

- Invested in Plant Function—

- Transfer From Unexpended Plant 30,000

Journal Entries in the Plant Fund

47

- Acquisition of Assets – Undivided Plant Fund:
- Assume the purchase of three office desks at a price of 2,400, from unexpended plant resources.

Journal Entries in the Plant Fund

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- **Undivided Plant Fund:**

○ Office Equipment	2,400	
○ Cash in Bank		2,400
○ Unexpended Plant Function –		
○ Transfer to Invested in Plant	2,400	
○ Invested in Plant Function –		
○ Transfer From Unexpended Plant		2,400

Journal Entries in the Plant Fund

- Disposition of Assets – Undivided Plant Fund:
- Assume the purchase of a new vehicle for 18,000 cash and 2,800 as a trade-in allowance on an old vehicle. The old vehicle cost 6,500 and has accumulated depreciation of 4,500, for net value of 2,000. The difference between the trade-in allowance and the net book value is recorded as a gain or loss.

Journal Entries in the Plant Fund

50

- **Undivided Plant Fund:**

○ Unexpended Plant Function –		
○ Transfer to Invested in Plant	18,000	
○ Cash in Bank		18,000
○ Motor Vehicles (new vehicle)	20,800	
○ Accum Depr – Vehicles	4,500	
○ Motor Vehicles (old vehicle)		6,500
○ Gain on Sale of Assets		800
○ Invested in Plant Function—		
○ Transfer From Unexpended		18,000

Journal Entries in the Plant Fund

51

- Undivided Plant Fund - Depreciation of Assets:
- Assume the following depreciation amounts for the period on buildings:
 - Office Building 9,250
 - Community Services Building 7,200
 - Employee Housing Buildings 10,800
 - Auxiliary Buildings 4,600

Journal Entries in the Plant Fund

52

- **Undivided Plant Fund:**

• Depreciation Expense, Office Building	9,250	
• Depreciation Expense, C.S. Building	7,200	
• Depreciation Expense, Houses	10,800	
• Depreciation Expense, Aux. Building	4,600	
• Accum Depr., Office Building		9,250
• Accum Depr., C.S. Building		7,200
• Accum Depr., Houses		10,800
• Accum Depr., Aux. Building		4,600

Journal Entries in the Plant Fund

53

- Undivided Plant Fund--Payment of Long-Term Liabilities:
- Assume that at the end of the year an annual payment of 15,000 is made on the employee housing mortgage, which consists of 8,000 principal and 7,000 interest.

Journal Entries in the Plant Fund

54

- **Undivided Plant Fund:**

- Unexpended Plant Function – Interest Exp 7,000
- Unexpended Plant Function –
- Transfer to Invested in Plant 8,000
- Cash 15,000

- Mortgage Payable 8,000
- Invested in Plant Function –
- Transfer From Unexpended 8,000

Journal Entries in the Plant Fund

55

- Undivided Plant Fund – Funding for Future Replacement:
- Assume the governing committee has voted to allocate 20,000 to fund future replacement of equipment.

Journal Entries in the Plant Fund

56

Funding for Future Replacement – Operating Fund

○	Unallocated Non-tithe Function –		
○	Transfer to Plant Fund	20,000	
○	Cash In Bank		20,000

Journal Entries in the Plant Fund

57

- Funding for Future Replacement--Undivided Plant Fund:

○ Cash in Bank	20,000
○ Unexpended Plant Function –	
○ Transfer from Operating Fund	20,000

Journal Entries in the Plant Fund

58

- Acquisition of Assets (Divided Plant Fund):
- Assume purchase of land and house for employee housing; total price of 100,000, of which 30,000 is paid in cash from unexpended plant resources and the remainder is financed with a long-term note. The total cost is divided 20,000 for the land and 80,000 for the building.

Journal Entries in the Plant Fund

59

- Acquisition of Assets--Unexpended Plant Fund:

○ Plant Assets Purchased	30,000	
○ Cash in Bank		30,000

Journal Entries in the Plant Fund

60

- Acquisition of Assets--Invested in Plant Fund:

○ Employee Housing – Land	20,000	
○ Employee Housing – Building	80,000	
○ Plant Assets Acquired		30,000
○ Mortgage Payable		70,000

Journal Entries in the Plant Fund

61

- Disposition of Assets (Divided Plant Funds):
- Assume the purchase of a new vehicle for 18,000 cash and 2,800 as a trade-in allowance on an old vehicle. The old vehicle cost 6,500 and has accumulated depreciation of 4,500, for net value of 2,000. The difference between the trade-in allowance and the net book value is recorded as a gain or loss.

Journal Entries in the Plant Fund

62

- **Disposition of Assets--Unexpended Plant Fund:**

○ Plant Assets Purchased	18,000	
○ Cash in Bank		18,000

Journal Entries in the Plant Fund

63

- **Disposition of Assets--Invested in Plant Fund:**

○ Motor Vehicles (new vehicle)	20,800	
○ Accumulated Depreciation—Vehicles	4,500	
○ Motor Vehicles (old vehicle)		6,500
○ Gain on Sale of Assets		800
○ Plant Assets Acquired		18,000

Journal Entries in the Plant Fund

64

- Depreciation of Assets (Divided Plant Funds):
- Assume the following depreciation amounts for the period on buildings:

✦ Office Building	9,250
✦ Community Service Building	7,200
✦ Employee Housing Buildings	10,800
✦ Auxiliary Buildings	4,600

Journal Entries in the Plant Fund

65

- Depreciation of Assets—Invested in Plant Fund:

○ Depreciation Expense, Office Building	9,250	
○ Depreciation Expense, C.S. Building	7,200	
○ Depreciation Expense, Houses	10,800	
○ Depreciation Expense, Aux. Building	4,600	
○ Accum Depr., Office Building		9,250
○ Accum Depr., C.S. Building		7,200
○ Accum Depr., Houses		10,800
○ Accum Depr., Aux. Building		4,600

Journal Entries in the Plant Fund

66

- Payment of Long-Term Liabilities (Divided Plant Funds):
- Assume that at the end of the year an annual payment of 15,000 is made on the employee housing mortgage, which consists of 8,000 principal and 7,000 interest.

Journal Entries in the Plant Fund

67

- Payment of Long-Term Liabilities—Unexpended Plant Fund:

○ Interest Expense	7,000	
○ Principal Paid on Debt	8,000	
○ Cash in Bank		15,000

Journal Entries in the Plant Fund

68

- Payment of Long-Term Liabilities—Invested in Plant Fund:

○ Mortgage Payable	8,000	
○ Reduction of Debt Principal		8,000

Journal Entries in the Plant Fund

69

- Funding for Future Replacements (Divided Plant Funds):
- Assume the governing committee has voted to allocate 30,000 from unallocated non-tithe resources for future replacement of buildings and 10,000 from unallocated tithe resources for future replacement of equipment.

Journal Entries in the Plant Fund

70

- Funding for Future Replacement—Operating Fund:
 - Unallocated Tithe Function—
 - ✦ Trf to Plant Fund 10,000
 - Unallocated Non-Tithe Function—
 - ✦ Trf to Plant Fund 30,000
 - Cash in Bank 40,000

Journal Entries in the Plant Fund

71

- Funding for Future Replacement—Unexpended Plant Fund:

○ Cash in Bank	40,000
✦ Unexpended Function—Equipment	
• Transfer from Operating	10,000
• Unexpended Function—Bldgs	
• Transfer from Operating	30,000

“Due From” and “Due To” Accounts

72

- Any inter-fund transaction should be supported by a corresponding entry in the other fund.
- “Due From” and “Due To” accounts are used on a current basis—not for formal long-term borrowing.
- In the combined financial statements, inter-fund receivables and payables are netted to zero.

“Due From” and “Due To” Accounts

73

- Long-term loans between funds should be handled in “Loan From” and “Loan To” accounts.
- Long-term loans should be authorized by the governing committee.

SAMPLE UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
Combined Statement of Cash Flows (International Model)
Years Ended 31 December 20X1 and 20X0

Appendix 17A.04

	Operating Fund	Plant Fund	20X1 Total	20X0 Total
<u>Cash Flows from Operating Activities:</u>				
Net Increase from Financial Activity	(567,267)	2,653,075	2,085,808	2,463,021
Adjustments to remove non-cash items:				
Depreciation Expense		180,009	180,009	172,964
(Gain) Loss on Sale of Plant Assets		0	0	54,562
Unrealized (Gain) Loss on Investments	(133,971)	(45,890)	(179,861)	24,620
Adjustments to reclassify non-operating items:				
Total Exchange (Gain) Loss	(30,072)	(11,489)	(41,561)	19,750
Non-operating Donations & Appropriations		(2,535,441)	(2,535,441)	(169,858)
(Increase) Decrease - Accounts Receivable	(1,139,722)		(1,139,722)	569,861
(Increase) Decrease - Supplies & Prepaid	95,919		95,919	(55,903)
Increase (Decrease) - Accounts Payable	135,000		135,000	74,323
Increase (Decrease) - Agency Funds	2,674,219		2,674,219	(1,337,109)
Net Cash Provided (Used) from Operating	<u>1,034,106</u>	<u>240,264</u>	<u>1,274,370</u>	<u>1,816,231</u>
<u>Cash Flows from Investing Activities:</u>				
Proceeds from Maturity of Investments	316,179		316,179	0
Purchase of Investments	(2,800,000)	(1,158,765)	(3,958,765)	(2,000,000)
Payments Received on Notes Receivable	1,641,252		1,641,252	750,000
New Notes Receivable Issued	(250,000)		(250,000)	(3,000,000)
Proceeds from Sale of Assets		50,000	50,000	35,000
Purchase of Land, Buildings, & Equipment		(1,700,429)	(1,700,429)	(303,586)
Net Cash Provided (Used) from Investing	<u>(1,092,569)</u>	<u>(2,809,194)</u>	<u>(3,901,763)</u>	<u>(4,518,586)</u>
<u>Cash Flows from Financing Activities:</u>				
Donations for Future Plant Fund Acquisitions		2,535,441	2,535,441	169,858
Proceeds from Borrowing New Debt	500,000		500,000	3,500,000
Payments Made on Long-term Debt	(472,262)		(472,262)	(435,456)
Proceeds (Payments) on Inter-fund Borrowing	(22,000)	22,000	0	0
Net Cash Provided (Used) from Financing	<u>5,738</u>	<u>2,557,441</u>	<u>2,563,179</u>	<u>3,234,402</u>
Exchange Gain (Loss) on Cash Held in Other Currency	30,072	11,489	41,561	(19,750)
Net Increase (Decrease) for the Year	(22,653)	0	(22,653)	512,297
Cash, Beginning of Year	2,272,251	0	2,272,251	1,759,954
Cash, End of Year	<u>2,249,598</u>	<u>0</u>	<u>2,249,598</u>	<u>2,272,251</u>

Supplemental information: cash paid for interest on long-term debt: 305,595.
The accompanying notes are an integral part of these financial statements.

End of Part III

SDA Accounting Manual – 2009 Edition

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- Global reference for the SDA denomination
- Uniformity and accountability in financial reporting
- Comparable information for multiple users
- Incorporates International Accounting Standards

SDA Accounting Manual – 2009 Edition

- Differences Between 2009 SDAAM and 1990 IAM:
 - Aligned more clearly with professional accounting standards
 - Includes guidance for retirement plans
 - Illustrated financial statements for a greater variety of entities
 - More definitive requirements for the implementation of fund accounting

SDA Accounting Manual – 2009 Edition

- **Basis and Structure of the Manual:**
 - Glossary of terms (chapter 24)
 - Objectives and outline (section 101)
 - Basis in International Standards (section 103)
 - Accrual basis of accounting (section 201)

SDA Accounting Manual – 2009 Edition

- **Changes Based on Accounting Standards:**
 - Required Financial Statements (section 601)
 - Required Disclosure Notes (section 606)
 - Financial Instruments (chapter 10)
 - Multiple Currencies (chapter 16)
 - Impairment of Assets (section 808)
 - Liability for Pensions (section 1403)

SDA Accounting Manual – 2009 Edition

- **Changes in Denominational Application:**
 - Description of Fund Accounting (section 205)
 - Operating Fund (section 702)
 - Plant Fund (sections 703 and 1306)
 - Illustrated Plant Fund accounting entries (appendix 13B, 13C, and 13D)
 - Illustrated two-fund financial statements (appendix 17A)

SDA Accounting Manual – 2009 Edition

- Manual adopted: January 1, 2009
- Manual to be implemented no later than January 1, 2011