

# An Introduction to Fund Accounting

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**Presentation For Treasurers  
Euro-Asia Division  
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# Introduction

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**The Father of Accounting:** Luca Pacioli (1445-1517)

*Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (1494)

*Collected Knowledge of Arithmetic, Geometry, Proportions and Proportionality*

# Introduction

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Seven necessary economic conditions for accounting:

Private property

Capital

Commerce

Credit

Writing

Money

Arithmetic (Arabic numerals)

# Introduction

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Pacioli recommended three accounting record-keeping books:

The memorandum book (daybook)

The journal

The ledger

# Financial Statements

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**Today four financial statements are added:**

## ***Statement of Financial Position***

(The Balance Sheet)

The ***Statement of Financial Position*** reports the resources (assets), obligations (liabilities), and residual ownership claims (net assets) of the organization.

# Financial Statements

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## **The Balance Sheet Equation:**

Assets = Liabilities & Equity

In not-for-profit accounting, “equity” = net assets  
(formerly called “fund balance”)

# Financial Statements

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## ***Statement of Financial Activity*** (The Income Statement)

The ***Statement of Financial Activity*** reports the revenues, expenses, gains, and losses of the organization for a specific period of time (generally one year).

# Financial Statements

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## ***Statement of Changes in Net Assets*** (The Equity Statement)

The ***Statement of Changes in Net Assets*** presents summarized activity for each function of the organization and shows the net increase or decrease for the year.



# Financial Statements

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## *The Statement of Cash Flows*

The *Statement of Cash Flows* reports “inflows” and “outflows” of cash during the period. It is divided into three sections:

- cash activities related to operating
- cash activities related to investing
- cash activities related to financing

# Not-for-Profit Accounting

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## Not-for-Profit Accounting:

The **emphasis** in accounting for not-for-profit entities rests on **stewardship responsibilities**, which requires that activities are **divided into funds**. The **focus** is on the **donor's restrictions** on the net assets. These net assets are located in the net asset section on the Statement of Financial Activity.

# Not-for Profit Accounting

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The Not-for-Profit organization's activities are divided into "funds" in keeping with the requirements of stewardship. Transactions are classified by:

Activities

Objectives

Limitations

# Not-for-Profit Accounting

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These activities, objectives and limitations are specified by:

donors

outside sources

the governing committee

# Not-for-Profit Accounting

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When the funds are limited by donors, the funds are considered “restricted.”

When the funds are limited by the governing committee, the funds are considered “allocated.”

# Basic Outline of Presentation

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**Part I:**        What is fund accounting?  
                     Why fund accounting?  
                     Introduction to three funds

**Part II:**        More details on each fund  
                     Look at the financial statements

# Basic Outline of Presentation

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Part III:      Specifics of the Plant Fund  
                    Transfers  
                    Journal entries  
                    Due to and Due from

# What is a Fund?

16

Each 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?

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Transactions within and between funds require a complete entry (both debit and credit) in each fund because each fund is a separate entity.

# What is a Fund?

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To record inter-fund transactions, use “Due From” and “Due To” accounts.

If cash is actually passed between the funds, use the “transfer” accounts.

# Does GAAP Require Fund Accounting?

19

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

But the SDA Church considers the segregation of resources into funds as the best way to monitor and report on the entity's stewardship responsibility.

# Advantages of Fund Accounting

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Fund Accounting assists in:

Complying with restrictions on the use of funds,  
as imposed by donors or the governing  
committee

Assessing financial condition of the organization  
and the availability of funds for achieving  
its mission

# Advantages of Fund Accounting

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Comparing actual results with the budget for the respective missions of the organization

Evaluating efficiency and effectiveness of the organization in meeting its mission

# Church Entities Required to Use Fund Accounting

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All Unions, 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.)

# Church Entities *Not* Required to use Fund Accounting

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

# Common Types of Funds

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



# What is the Purpose of an Operating Fund?

25

**To receive and administer all operating income of an organization**, including activities related to:

Management of funds based on the financial plan

Transfers to senior organizations

Transfers between funds

# What is the Purpose of a Plant Fund?

26

**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?

27

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

# What is the Purpose of an Endowment Fund?

28

**To administer the corpus (principal) of funds from which the earnings are to be used for a specified purpose.**

# The Financial Statements for Each Fund

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## **Each fund will have:**

Statement of Financial Position (Balance Sheet)

Statement of Financial Activity (Income Statement)

Statement of Changes in Net Assets (Equity)

Statement of Cash Flows

Notes to the Financial Statement

(Only required when complete statement is presented)

# Review: What is a Fund?

30

A separate accounting entity with a self-balancing set of accounts for recording:

Assets

Liabilities

Net Assets

Financial Activity

# Review: What is a Fund?

31

Every entry must be complete (both debit and credit) within its fund.

For inter-fund transactions, use “Due From” and “Due To” accounts.

If transferring actual cash, use “Transfer” accounts.

# Understanding the Operating Fund

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## Purpose of the Operating Fund:

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 - 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
<b>Current Assets</b>				
Cash & Cash Equivalents (Note 3)	1,702,642		1,702,642	1,599,670
Investments (Note 4)	8,571,777		8,571,777	5,840,869
Accounts Receivable, net (Note 5)	9,069,178		9,069,178	8,042,572
Cash Held for Agency (Note 3)	546,956		546,956	672,581
Loans Rec. - Current Portion (Note 6)	886,033		886,033	750,000
Supplies & Prepaid Expense (Note 7)	241,995		241,995	337,914
<b>Total Current Assets</b>	<b>21,018,581</b>		<b>21,018,581</b>	<b>17,243,606</b>
<b>Land, Buildings, and Equipment (Note 8)</b>		<b>4,975,856</b>	<b>4,975,856</b>	<b>2,505,436</b>
<b>Other Assets</b>				
Due From Other Funds	2,000		0	0
Restricted Currency Receivable (Note 16)	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
<b>Total Other Assets</b>	<b>4,458,542</b>	<b>1,245,890</b>	<b>5,702,432</b>	<b>5,931,062</b>
<b>Total Assets</b>	<b>25,477,123</b>	<b>6,221,746</b>	<b>31,696,869</b>	<b>25,680,104</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>8,852,959</b>		<b>8,852,959</b>	<b>5,781,746</b>
<b>Other Liabilities</b>				
Due to Other Funds		2,000	0	0
Restricted Currency Payable (Note 16)	180,000		180,000	86,000
Loans Pay. - Noncurrent (Note 12)	2,140,744	1,000,000	3,140,744	2,375,000
<b>Total Other Liabilities</b>	<b>2,320,744</b>	<b>1,002,000</b>	<b>3,322,744</b>	<b>2,461,000</b>
<b>Total Liabilities</b>	<b>11,173,703</b>	<b>1,002,000</b>	<b>12,175,703</b>	<b>8,242,746</b>
<b>NET ASSETS</b>				
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
<b>Total Net Assets</b>	<b>14,303,420</b>	<b>5,219,746</b>	<b>19,523,166</b>	<b>17,437,358</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>25,477,123</b>	<b>6,221,746</b>	<b>31,696,869</b>	<b>25,680,104</b>

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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The Net Assets in the Operating Fund are displayed as:

Unallocated Tithe Function

Unallocated Non-Tithe Function

Allocated Functions

# Understanding the Operating Fund

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“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

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“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 2011 and 2010

Appendix 17A.02

OPERATING ACTIVITY	Operating Fund *	Plant Fund	Total 20X1	Budget 20X1	Total 20X0
<b>Earned Income</b>					
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	191,472		191,472	200,000	21,507
Total Earned Operating Income	7,012,701		7,012,701	6,596,000	6,822,823
<b>Operating Expense</b>					
Employee-related Expense (Note 19)	6,409,558		6,409,558	6,492,000	6,867,214
Administrative & General Expense	2,210,431	180,009	2,390,440	2,368,500	2,717,004
Departmental Expense	1,196,710		1,196,710	1,151,500	1,136,418
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)
<b>Operating Appropriations</b>					
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	5,450,160
Increase (Decrease) after Approp.	(207,249)	(180,009)	(387,258)	16,000	385,023
<b>CAPITAL ACTIVITY</b>					
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	2,473,066	1,315,920	2,077,998
Increase (Decrease) before Transfers	(387,258)	2,473,066	2,085,808	1,331,920	2,463,021
<b>TRANSFERS</b>					
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	331,920	2,463,021
Net Assets, Beginning of Year	14,870,687	2,566,671	17,437,358	17,358	14,974,337
Net Assets, End of Year	14,303,420	5,219,746	19,523,166	17,358	17,437,358

\* See Note 18 for expanded detail of the operating fund.  
 The accompanying notes are an integral part of these financial statements.

Operating Fund

Transfers

Net to Zero

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

Appendix 17A.01

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Supplies & Prepaid Expense (Note 7)	241,995		241,995	337,914
<b>Total Current Assets</b>	<b>21,018,581</b>		<b>21,018,581</b>	<b>17,243,606</b>
<b>Land, Buildings, and Equipment (Note 8)</b>				
		4,975,856	4,975,856	2,505,436
<b>Other Assets</b>				
Due From Other Funds	2,000		0	0
Restricted Currency Receivable (Note 16)	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
<b>Total Other Assets</b>	<b>4,458,542</b>	<b>1,245,890</b>	<b>5,702,432</b>	<b>5,931,062</b>
<b>Total Assets</b>	<b>25,477,123</b>	<b>6,221,746</b>	<b>31,696,869</b>	<b>25,680,104</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>8,852,959</b>		<b>8,852,959</b>	<b>5,781,746</b>
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Restricted Currency Payable (Note 16)	180,000		180,000	86,000
Loans Pay. - Noncurrent (Note 12)	2,140,744	1,000,000	3,140,744	2,375,000
<b>Total Other Liabilities</b>	<b>2,320,744</b>	<b>1,002,000</b>	<b>3,320,744</b>	<b>2,461,000</b>
<b>Total Liabilities</b>	<b>11,173,703</b>	<b>1,002,000</b>	<b>12,173,703</b>	<b>8,242,746</b>
<b>NET ASSETS</b>				
Unallocated Tithe Function	3,041,556		3,041,556	3,280,762
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Allocated Functions	7,798,929		7,798,929	8,522,900
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# 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

Proceeds from the sale of plant assets

# 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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## **The Unexpended Plant Fund balance consists of:**

Unallocated resources available for acquisition of plant assets in general.

Allocated or restricted resources set aside by committee action or received from donors for the purchase of specific 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: land, buildings, equipment, and furniture, owned by the entity, and the depreciation and disposition of those assets, and any related debt.

These assets and liabilities are considered non-current.

# Understanding the Plant Fund

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*Increases to the Invested in Plant Fund come from:*

Acquisition of plant assets

Liquidation of plant-related debt

# Understanding the Plant Fund

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*Decreases* to the Invested in Plant Fund come from:

Depreciation Expense

Sales or disposals of existing plant assets

# Understanding the Plant Fund

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Net Assets in the Plant Fund are displayed as:

Unexpended Plant Function

Invested in Plant Function

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

## Appendix 17A.01

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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
<b>Other Assets</b>				
Due From Other Funds	2,000		0	0
Restricted Currency Receivable (Note 16)	180,000		180,000	86,000
Loans Rec. - Noncurrent (Note 6)	4,276,542		1,245,890	3,803,827
Cash & Invest., Non-operating (Note 9)			41,235	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
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Total Other Liabilities	2,320,744	1,002,000	3,320,744	2,461,000
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Allocated Functions	7,798,929		3,522,900	3,522,900
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Total Net Assets	14,303,420	5,219,746	19,523,166	17,437,358
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Inter-fund borrowing is eliminated in the total columns.

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

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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		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

← Fixed Assets

← Minus Plant Liabilities

← = Investment in Plant

Inter-fund borrowing is eliminated in the total columns.  
 The accompanying notes are an integral part of these financial statements.

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

**Appendix 17A.02**

<b>OPERATING ACTIVITY</b>	<b>Operating Fund *</b>	<b>Plant Fund</b>	<b>Total 20X1</b>	<b>Budget 20X1</b>	<b>Total 20X0</b>
<b>Earned Income</b>					
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	191,472		191,472	200,000	21,507
<b>Total Earned Operating Income</b>	<b>7,012,701</b>		<b>7,012,701</b>	<b>6,596,000</b>	<b>6,822,823</b>
<b>Operating Expense</b>					
Employee-related Expense (Note 19)	6,409,558		6,409,558	6,492,000	6,867,214
Administrative & General Expense	2,210,431	180,009	2,390,440	2,368,500	2,717,004
Departmental Expense	1,196,710		1,196,710	1,151,500	1,136,418
Other Operating Expense	1,101,984		1,101,984	968,000	1,167,324
<b>Total Operating Expense</b>	<b>10,918,683</b>	<b>180,009</b>	<b>11,098,692</b>	<b>10,980,000</b>	<b>11,887,960</b>
Increase (Decrease) before Approp.	(3,905,982)	(180,009)	(4,085,991)	(4,384,000)	(5,065,137)
<b>Operating Appropriations</b>					
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)
<b>Net Appropriations Retained</b>	<b>3,698,733</b>		<b>3,698,733</b>	<b>4,400,000</b>	<b>5,450,160</b>
Increase (Decrease) after Approp.	(207,249)	(180,009)	(387,258)	16,000	385,023
<b>CAPITAL ACTIVITY</b>					
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
<b>Net Capital Increase (Decrease)</b>	<b>(180,009)</b>	<b>2,653,075</b>	<b>2,473,066</b>	<b>1,315,920</b>	<b>2,077,998</b>
Increase (Decrease) before Transfers	(387,258)	2,473,066	2,085,808	1,331,920	2,463,021
<b>TRANSFERS</b>					
From Non-tithe to Unexpended Plant	(180,009)	180,009	0	0	0
<b>Net Increase (Decrease) for the Year</b>	<b>(567,267)</b>	<b>2,653,075</b>	<b>2,085,808</b>	<b>1,331,920</b>	<b>2,463,021</b>
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.

# Transfers Between Funds

51

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. Thus they cannot be revenues or expenses.

# Transfers Between Funds

52

## **Types of Transfers in the Plant Fund:**

Resources from the Operating Fund (for future assets acquisitions and debt service) are recorded as transfers from the Operating Fund to the Plant Funds.

Payments to acquire plant assets are recorded as transfers between the Unexpended and the Invested in Plant Funds.

# Transfers Between Funds

53

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 (1)

	Balance 31-12-20X0	Income	Expense	Transfers From (To)		Balance 31-12-20X1
				Unallocated & Allocated	Operating & Plant	
<b>OPERATING FUND:</b>						
<b>Unallocated</b>						
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	484,004	(180,009)	3,462,935
Total Unallocated	6,347,787	10,603,392	10,550,683	284,004	(180,009)	6,504,491
<b>Allocated</b>						
(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	0	60,000	25,000	0	798,299
Leadership Training	706,944	0	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	30,000	0	(100,000)	0	857,674
Global Mission	553,699	0	5,000	0	0	358,699
Ingathering Reversion	0	35,000	0	(35,000)	0	0
Insurance	191,237	0	0	0	0	176,237
Religious Liberty	425,202	0	0	0	0	420,202
Securities Fluctuation	0	0	0	113,116	0	113,116
Total Allocated	8,522,900	128,033	568,000	(284,004)	0	7,798,929
Total Operating Fund	14,870,687	10,731,425	11,118,683	0	(180,009)	14,303,420
<b>PLANT FUND:</b>						
<b>Unexpended Plant</b>						
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
<b>Invested in Plant</b>						
Invested in Plant	2,505,436	0	230,000	1,700,429	0	3,975,856
Total Plant Fund	2,566,671	2,703,075	230,000	0	180,009	3,975,856
Total All Funds	17,437,358	13,434,500	11,348,683	0	0	14,303,420

Transfers within  
 Operating net to zero

Transfers between Plant  
 Funds Must Agree

Transfers between  
 funds net to zero

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

# Journal Entries in the Plant Fund

55

- 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

56

- Acquisition of Assets--Unexpended Plant Fund:

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



# Journal Entries in the Plant Fund

57

- 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

58

- 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

59

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

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

# Journal Entries in the Plant Fund

60

- **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

61

- 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

62

- 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

63

- 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

64

- 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

65

- 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

66

- 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

67

- 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

68

- 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

69

- 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

70

- 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
<b>Cash Flows from Operating Activities:</b>				
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, net	2,799,844		2,799,844	(1,437,109)
Net Cash Provided (Used) from Operating	<u>1,159,731</u>	<u>240,264</u>	<u>1,399,995</u>	<u>1,716,231</u>
<b>Cash Flows from Investing Activities:</b>				
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>
<b>Cash Flows from Financing Activities:</b>				
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	<u>30,072</u>	<u>11,489</u>	<u>41,561</u>	<u>(19,750)</u>
Net Increase (Decrease) for the Year	102,972	0	102,972	412,297
Cash, Beginning of Year	<u>1,599,670</u>	<u>0</u>	<u>1,599,670</u>	<u>1,187,373</u>
Cash, End of Year	<u><u>1,702,642</u></u>	<u><u>0</u></u>	<u><u>1,702,642</u></u>	<u><u>1,599,670</u></u>

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

# Any Questions?

72

Thank you! Are there any questions?