

PAYING BACK INTER-FUND LOAN OF \$29,600

5/7/2015

TO: Rich Fleming, Chair, Church Council
FROM: Paul Dude, Chair, Finance Committee
SUBJECT: Paying Back Inter-fund Loan of \$29,600

The Finance Committee met on May 6, 2015.

- The committee voted to establish a Trustee Fund on the church's books with its own accounts, including cash and equity, distinct from the Operating Fund and Building Fund.
- The committee recommended to the Council that \$29,600 cash be transferred from the church's Operating Fund to the church's Trustee Fund, above, to satisfy and retire the inter-fund loan that exists.
- The committee voted to ask the Trustee-Board to strongly consider keeping this new Trustee-Fund cash and equity balance, (amounting to \$29,600 plus an earlier \$5,000 trustee reserve amount), available to the church for property-related matters, without going through the Foundation. This request would hold for the duration of the building project (and duration of any line of credit extended to the church by a lender, so that the consolidated balance sheet shows the church's strong financial condition).

Facts

Explanation. The church's Operating Fund incurred a financial obligation payable to Aspen Consulting Corp. in 2008, for \$29,600-worth of work done. This work was done under the concept of looking into possible church renovations.

The Meaning, in Financial-Statement Terms. That meant that, with the completion of this work, there was a bill for \$29,600 due and payable.

The quandary of how to pay the bill. The Operating Fund did not have enough cash, at the time, to pay the bill. The trustees had no official Trustee Fund in the church corporation at the time, nor was there money in a building fund. The trustees did have money in the Foundation, placed there for investment.

How did Aspen get paid? The Church Operating Fund received \$29,600 from the trustees' holdings in the Foundation in exchange for a promise that Trustee Funds would be reimbursed from the next capital campaign and that the Operating Fund would use such funds to pay the bill owed to Aspen.

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A loan due to any Trustee Fund from the church's Operating Fund in the amount of \$29,600 was never recorded.

Paying back the loan. As the **Church Treasurer** explains, now would be as good a time as any, for the church's Operating Fund to pay back the borrowing incurred by the church's Operating Fund in 2008, to the church's Trustee Fund.

Specifically,

1. Operating-Fund Cash Reserves (after paying back the loan) would be great enough to withstand going down by \$29,600.
2. The Financial Statements would look just as strong after paying back the loan as before. While Operating-Fund cash would go down by \$29,600, Trustee-Fund cash reserves would increase by \$29,600, leaving total cash in consolidated statements and at the bank unaffected.
3. In regard to the question of whether (after paying back the loan) the church could "get its hands on" the \$29,600 later, if it were needed, the answer depends on the circumstances. For unforeseen emergency property-related expenditure needs, bills could be paid from that source.