
Decision Profile

Loan Development Fund Accounting Records

Decision Required:

To provide direction to the District Superintendent regarding how to account for church loan payments that are missed or late.

Why It's Coming to the Finance Committee:

The Finance Committee has the authority to approve Loan Development Fund (LDF) terms.

Background:

Over the years, church loan payments have been received late and/or with instructions that do not meet the terms of the loan agreements. It has been the practice to post late payments as if they have been received on time and to forgive any interest charges related to those late payments. It has also been the practice to forgive interest charges on missing payments.

Normal accounting practice would be to charge interest when payments are not received in that month, as required by the terms of the loans, thereby increasing the loan debt. The absence of accounting for late and missed payments or payments which are not enough to pay the loan costs in a month, has cost the District LDF regularly for years.

Terms of the LDF loans with churches require monthly payments unless otherwise agreed with the District Finance Committee.

Options to consider:

1. Continue to grant relief from loan interest charges to churches who miss or are late in making loan payments.
2. Revise the accounting method to account for unpaid interest costs to the LDF payment schedule.

Recommendation/Motion:

THAT the District Superintendent take the necessary steps to ensure that the Loan Development Fund accounts for late and missing church payments by accruing for interest charges in those months.

