

GCFA Reserve Analysis

John Bishop and Charlie Moore

Background Concepts - Reserves

<u>ASSETS</u>		<u>LIABILITIES</u>	
CASH	\$ 200,000	ACCOUNTS PAYABLE	\$ 100,000
INVESTMENTS - RESTRICTED		LOANS PAYABLE	175,000
FUNDS	300,000	TOTAL LIABILITIES	<u>275,000</u>
INVESTMENTS - OTHER	500,000	TOTAL NET ASSETS	1,125,000
LAND & BUILDINGS	400,000		
TOTAL ASSETS	<u>1,400,000</u>	TOTAL LIABILITIES AND	
		NET ASSETS	<u>1,400,000</u>
TOTAL NET ASSETS PER FINANCIAL STATEMENTS			\$ 1,125,000
LESS: PERMANENTLY RESTRICTED ASSETS			<u>300,000</u>
TOTAL UNRESTRICTED NET ASSETS			825,000
LESS: UNAVAILABLE NET ASSETS			
LAND AND BUILDINGS			<u>400,000</u>
AVAILABLE UNRESTRICTED NET ASSETS			425,000
REQUIRED RESERVES			
PLANNED CAPITAL PROJECTS - COMPUTER SYSTEM			<u>175,000</u>
UNRESTRICTED ASSETS IN EXCESS OF REQUIREMENTS			<u>250,000</u>

GCFA Reserve Analysis

12/31/2008

Total Net Assets per Financial Statements	\$ 22,295,473	
Less: Temporarily Restricted Net Assets	10,025	
Assets Permanently Restricted by Donor	359,848	
Assets Permanently Restricted by General Conference	<u>7,437,423</u>	
Total Unrestricted Net Assets	<u><u>\$ 14,488,177</u></u>	
Analysis of Unrestricted Net Assets		
GCFA Council Designated Funds:		
Insurance Fund	\$ 1,475,085	A
Headquarters Property Fund	<u>2,316,468</u>	B
Total Designated Funds	3,791,553	
Buildings and Land, net of depreciation	6,268,697	A
Unrestricted-Undesignated	<u>4,427,927</u>	B
Total Unrestricted Net Assets	14,488,177	
Less assets not readily convertible to cash	<u>7,743,782</u>	Σ A
Available Unrestricted Net Assets	<u><u>6,744,395</u></u>	Σ B

Available Unrestricted Net Assets \$ 6,744,395

Required reserves:

Cash reserves required for operating cash flow, per instructions	248,000
Additional cash reserves, per review	147,000
Property and equipment replacements*	100,000
Possible future property and equipment projects	250,000
Reserves for planned Quadrennial Events	350,000
Unexpected contingencies	205,000
Obligations agreed to at General Conference	610,000
Contractual or other liquidity requirements	-

Total Required Reserves 1,910,000

Available Unrestricted Assets in Excess of Requirements \$ 4,834,395

* in addition to budgeted depreciation of ~ \$180,000 per year

Findings and Recommendations

- Rational process for evaluation of reserves is in place. Governed by instructions from GCFA which intend to produce reasonable results, consistently applied from agency to agency

Findings and Recommendations

- Recommend instructions be modified:
 - Allow for consideration of existing economic climate when setting reserves for operating cash flow
 - Consider depreciation vs. normal property and equipment replacement reserves
 - Require details be provided for non annual planned events
 - Identify criteria for use by agency boards in establishing board-designated reserves
 - Require separate accounts for required reserves

Findings and Recommendations

- Excess reserves are not the intention of the givers. Should be used in some fashion: new funds for new programs, budget reductions, dividend to Annual Conferences, other possibilities
- Establish task force to provide recommendation for disposition of “excess reserves”

Findings and Recommendations

- Encourage dialogue between GCFA staff and other agency staff regarding reserves
- At 12/31/08, GCFA's available reserves exceeded required amounts by \$4.8 million

