

## LOANS (revised 11/10 except question for MR)

### Main Points:

- how to deal with loans in the annual accounts (54)
- arranging a loan (55)

### 54 How to deal with loans in the annual accounts

From time to time churches may receive loans which have to be repaid or make loans to other churches which, in due course, will be repaid. Such transactions are not part of the ordinary income/expenditure of the church.

Where accounts are prepared using the **Receipts and Payments** method, movements during the year will need to be shown in order that the correct final balance is struck. It is recommended, however, that this is done in two parts so that the ordinary income and expenditure are dealt with first, a balance is then struck and movements of loans/loan repayments are dealt with "below the line".

Example	
Receipts and Payments Account	
	£
Net Receipts for the year	856
Loan received	<u>3000</u>
	3856
Less loan repayments	<u>1000</u>
	2856
Opening balance 1.9.2009	<u>4963</u>
Closing Balance 31.8.2010	<u><u>7819</u></u>

and a note should be appended to the accounts giving details of amounts outstanding.

If accounts are prepared on the **Accruals** basis, movement on the amounts of loans in either direction will not affect the Statement of Financial Activities (SOFA) Full details will need to be disclosed as a note to the balance sheet.

### 55 Arranging a loan

Managing trustees may require loans in order to complete a scheme to their chapel, for the purchase of a manse and occasionally for the purchase of land.

**So far as possible churches are encouraged by the Methodist Council to obtain interest free loans from members or from other Methodist Funds.**

Where a scheme can only proceed by the managing trustees obtaining an interest bearing loan they are invariably encouraged to seek such a loan from Methodist Chapel Aid Ltd (MCA).

In exceptional circumstances the Methodist Council might approve an interest bearing loan from another institution but there would have to be a very good reason for doing so.

Churches should contact MCA by telephone or letter to obtain a pack of information which includes an application form. Bridging loans or term loans are available.