

Sideways Transfers – Part 2

A Better Way to Manage Local Funds

In the “Sideways Transfers – part 1” tutorial, I said that sideways transfers run the risk of being illegal (*Tutorial #8150*). But they are also destructive to the budget process (*Tutorial #4050*) and they make clarity on the financial summary impossible. Plus, they are not necessary, because there are much better ways to handle shortages in individual local funds.

There is a legitimate place for transfers, and the first part of the GCC Training Video #4.5 (found at <https://www.gccsda.com/auditing/10963>) describes a situation where making transfers from “Church Budget” to zero out large negative ending balances was necessary. And to be clear, transferring money from “Church Budget” to other local funds is not a “Sideways Transfer.”

NOTE: A “Sideways Transfer” is when you make a transfer from a local fund that is not “Church Budget,” to another local fund that is not “Church Budget.” Taking money from a local fund that “has too much” and moving it to another local fund that “needs it.” Any time you make that kind of transfer, you are losing the origin of those offerings or allocations – where they came from and their original purpose. (*Tutorial #8110*)

Another variation (I call it “random posting”) is to make a purchase that should be posted to a certain local fund (like “Hospitality”), but because Hospitality has no money in it, the board looks for an unrelated local fund (like “VBS”) that does have money in it and tells you to post the purchase to that fund. (*Tutorial #6630*)

In addition to being illegal, once these kinds of transactions are recorded, your spending records for the month and year are unreliable. You don’t know, from the reports, how much was spent on Hospitality or VBS. And since accurate budgeting for next year relies on knowing how much you spent from each local fund this year, making next year’s budget will be difficult. (*Tutorial #4030*)

It would be like having your kids swap out the labels on your pantry canned goods and then trying to plan a meal based on what you have on hand, when you can’t tell what you have on hand!

Here are some simple rules that will keep this from happening, and will help create clarity in your reports.

1. Have clearly named local funds and use them consistently. For example: Always post equipment purchases to “Equipment” (or your equivalent), and postage to “Office Supplies.” Even if there is an account balance of zero or less. Post accurately.
2. If a local fund that you need to use has a zero or less balance, use it anyway, then work with your board to fix it, with funds from Church Budget or some reserve-type account. Use a one-time transfer or set up regular allocations.
3. If you are not regularly zeroing out your local expense funds (like “Utilities”) either by transfers or allocations, and your local expense fund negative ending balances build up month after month, *check out Tutorial #4020 and 4030*.
4. If a local fund has a large balance that you do not need, and you know they are not trust funds, transfer that money back into Church Budget or a reserve-type account, where it can be used where you do need it. (*Tutorial #8210*) Get board authorization first, of course.

5. Never make a sideways transfer from one local fund to another unrelated local fund. Always transfer (non-trust funds) to Church Budget or from Church Budget (or a reserve-type local fund).
6. Know how to identify trust funds (*Tutorials #6630, 6640*) so you don't accidentally make illegal transfers.

How does this create clarity?

- Your reports will be more accurate. The “Equipment” fund will tell you exactly how much was spent on equipment. The “Kitchen Supplies” fund will tell you exactly what was spent on kitchen supplies, which leads to more informed financial decisions and better planning for the future.
- You won't have large negative ending balances, and your Church Budget ending balance will reflect reality.
- Your trust funds will be protected and you won't accidentally spend more than you have, just because the reports don't have clarity.

A reminder: All of this needs to have board approval. If you want to change the way your church has been doing allocations or budgeting, go to them with a plan and ask their permission.

If at some point the board asks you to do something that you believe is against policy, ask them for time to contact an auditor and make sure. Be respectful. Give reasons and provide reasonable alternatives. And if they still vote it, that is ok. Contact me and we can talk about it.

Corresponding videos: 4.5 – Negative Balances and Sideways Transfers. Find at <https://www.gccsda.com/auditing/10963>
4.3 – Money That Can't Be Spent – Trust Funds
2.4 – Consistency in the Use of Accounts

For more tutorials on JEWEL INFORMATION & PROCESS HELPS, see section 8000 on the [gccsda.org](https://www.gccsda.org) auditor webpage

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team
Created by Linda McCabe. Edited 8/27/2025*