The Nuts and Bolts of Bookkeeping

A Toolkit

Table of Contents

I.   Introduction

The Nuts & Bolts Toolkit is designed for any and all TCFV member agency staff and board members that play a role in financial management.

The toolkit is separated into seven major function areas of financial management: choosing the best bookkeeping system for your organization, managing your grant accounting, creating and managing your budget, correctly allocating your costs, processing financial transactions, maintaining critical internal controls, and appropriately reporting your finances. Each section will prepare you for a different aspect of successful financial management.

Throughout the toolkit, you will find helpful tips, template forms and sample materials that you can use to improve the financial management of your own organization.

We hope this toolkit is a practical, useful guide that can help you navigate the often tricky waters of nonprofit funding and financial management. Remember, TCFV staff is available to answer your questions, and even schedule training in your area to review some of the core concepts covered in the Toolkit. Enjoy, and thank you for playing such an important role in strengthening Texas communities and families statewide!

II. Starting with Bookkeeping Systems

In this section, you will gain a valuable perspective on choosing the best tracking system for your books, as well as the best method of reporting within those systems. Setting up the right system for your organization is a critical first step towards successful financial management!

What Do I Need To Know To Get Started?

- Introductory Bookkeeping Vocabulary

What Reporting System Is Right For You?

- Cash vs Accrual

- QuickBooks vs. Fund Accounting Software

- Which System Is Right For You?

- Bookkeeping Systems: Payroll Considerations

Review

- Bookkeeping Systems: Common Mistakes

Introductory Bookkeeping Vocabulary

Before you jump into the nuts and bolts of bookkeeping, here are some important terms to understand so you can get started:

- **General Ledger** – the collection of accounts that all organizations must have. They consist of the assets, liabilities, fund balance, revenues and expenses.

- **Assets** – these are items owned by your organization. Examples include bank accounts, accounts receivable, equipment, etc.

- **Liabilities** – these are items owed by your organization. Examples include payroll taxes, vendors, etc.

- **Fund Balance** – this is the result of subtracting the liabilities from assets. It is somewhat similar to net worth; however, care should be exercised when evaluating the fund balance since it can be affected by a number of factors.

- **Revenues** – these are the items that generate funds for the organization. Examples include donations, special events, grants, interest, etc.

- **Expenses** – these are the items that the organization uses to function. Most of the items will be paid with cash, but some items by noncash if the accrual method is being used (depreciation). Examples of expenses are salary, fringe benefits, rent, etc.

- **Income Statement** – this is a report that shows the revenues and expenditures for a specific time period, e.g. January to December. It is similar to the Statement of Activities.

- **Balance Sheet** – this is a report that shows the assets, liabilities, and fund balance as of a specific date, e.g. December 31, 2018. It is similar to the Statement of Financial Position.

Cash vs. Accrual

The type of accounting method your organization uses is critical to determining how budgets should be built and accounting entries should be entered into your accounting software – whichever version you choose. The following are two principal types of accounting systems:

Cash Basis

- Revenue and expenses are entered when received or paid.

- Income is recorded when money is in hand.

- An expense is recorded when you actually write check to vendor.

- Best method for small non-profits with no paid staff, no set programs, and no expansion.

Accrual

- Revenue (Income) is recorded when you receive the commitment, not the money.

- An expense is recorded when you receive the bill, not when you pay it.

- GAAP requires this method.

- Best method if the non-profit has paid staff, set programs, and larger amounts of funding.

The accrual method is the most accurate and generally approved method of accounting. Small organizations that don't get audited may be able to report on the cash basis; however, most funders and auditors prefer – if not require – the accrual method to be used. In some instances, an organization will keep their accounting records in the cash basis, and their auditor will convert the records to accrual basis for the audit and reporting purposes.

QuickBooks vs. Fund Accounting Software

An important decision that each nonprofit makes is what software system to use for tracking their financial records. So how do you know which software to use?

All accounting systems will have the ability to track by categories known as a general ledger account. The types of general ledger accounts are:

- Assets

- Liabilities

- Fund Balance – the difference between assets and liabilities.

- Revenues

- Expenses

It is important not to mix the general ledger accounts with the other types of tracking items.

Expense codes should be set up by expense category, not by department or program. For example, there should only be **one** supplies expense account. Many times an organization makes the mistake of having different supply accounts for distinct areas, such as fundraising, programs, etc.
Another common mistake is to create an entirely new general ledger account for a specific fundraising event. By doing this, you lose the ability to break down fundraising expenses into their various types, such as rent, supplies, printing, postage, etc. The expense account code should be consistently used for type of expenses. The department or program code is a separate part of the accounting code structure and should be used to designate the department or program.

In addition to general ledger accounts, organizations often want to track additional items for analysis. The primary difference between the various accounting software packages, in fact, lies in the ability to track these additional items, such as:

- Departments

- Functional Expenses (e.g. Program, Administrative, and Development)

- Grants

- Projects

- Funding Restrictions – Permanently, Temporarily, and Unrestricted funds

QuickBooks at a Glance

Many organizations choose QuickBooks due to its popularity and reasonable cost. Overall, QuickBooks can effectively meet the financial reporting needs; however, there are some key items to remember when using QuickBooks. QuickBooks has three fields that can be used for reporting. First is the general ledger which consists of all of the revenue and expense accounts. Second is the Customer field, which is commonly used to track donors or events. QuickBooks has only one field, called the class field that can be custom fit to the company. It is common for nonprofits to track their grants by customer in order to free up the class field. If possible, the class field should be used to capture data that is being used for budget tracking. For example, an organization may track their budget based on individual departments. If this is the case, then the class field could contain the departments so expenses and revenues can be tracked against the departments. This will facilitate easy access to reports to track budgets.

Which System Is Right For You?

Items to Consider	QuickBooks	Fund Accounting Software
Cost	$300-$800	$3,000+ and maintenance
Good if tracking multiple items, including grant, department, project, etc.		✓
Good if accounting knowledge is limited	✓	
Commonly Used	✓	
Financial Controls Built In		✓
Ease of Use	✓	

Bookkeeping Systems: Payroll Considerations

In addition to basic bookkeeping features, all of the accounting packages offer payroll processing as an add-on feature for an additional cost. Payroll requires special consideration, because tax tables that change periodically are used to calculate taxes paid and withholding.

An alternative to using the accounting system to process payroll is to use an outside payroll processing service. There are many organizations that provide this service, and some banks offer this to customers as well. Generally, the payroll service will also file your quarterly IRS payroll tax return, manage annual W2 processing, new hire reporting, any garnishments to wages, and unemployment tax reporting and payments.

Considering the implications of not processing these items properly, the most reasonable and

ultimately cost-effective approach for many nonprofits may ultimately be contracting for external payroll processing services.

If your organization does choose to outsource its payroll system, make certain that the company can provide the right type of records to meet your grant requirements. For example, if you can't match up the exact payroll payment to an employee as required by a grant, you will need to either change company or create a system that allows you to track the payment appropriately.

Bookkeeping Systems: Common Mistakes

When working on bookkeeping, here are some quick tips to avoid costly mistakes.

- When you are setting up your system or adding codes, it makes a big difference to think long-term. Generally, it is easy to add codes but difficult to remove them. So, make sure it is something that fits your long-term plans.

- Try to use the same types of titles and categories in your accounting system that you use in your budget. This will make the reports easier to produce and more helpful for the end user.

- Make sure you make regular backups and store a copy off site.

- Be consistent – the fastest way to render your accounting data useless is to be inconsistent in how transactions are being entered. A handy reference can be using your budget while you are keying the transactions.

III. Grant Accounting

If you are exploring this section, chances are your organization has either received grant funding, or is ready to submit your first grant. How should you set up your system to correctly manage and report grant funds, and meet all of the grant requirements?

This section will help you understand the tracking expectations of many grantors and how to keep from losing funding for your great work.

How Can You Successfully Manage Your Grant Funds?

- Grant Requirements
- Types of Grantors
- Grant Regulations
- Nonprofits and Lobbying

Review

- Grant Accounting: Common Mistakes

Grant Requirements

There are many aspects of grant funding that impact an agency's ability to manage a funded project.

Proposal

Nearly all grantors have guidelines on how and when to apply for grants. Make sure you follow the guidelines provided in order to increase your chances of being awarded funds. A proposal should be carefully reviewed from a narrative and budget standpoint since it is the criteria measured.

Grant Award

When a grant is awarded, the grantee will often receive a comprehensive packet of materials including a transmittal letter, information on how funds will be disbursed, restrictions on how funds can be spent, and reporting requirements. The award packet is critical, and it should be reviewed thoroughly and regularly to ensure you are meeting all the grant requirements. Failure to do so could result in losing ongoing funding and even having to repay funds spent improperly.

Spending Restrictions

Many government grants have very specific rules on how funds can be spent. There are rules that apply to all government grants, and there are additional rules based on the type of funding. The grant award should have reference to the applicable restrictions.

Funding Process

There are different ways a funder disburses funds to a grantee:

- **Up Front**, in which the entire amount will be given to the grantee organization.

- **Requests for Reimbursement (RFRs)**, meaning the organization has to first spend money on a grant activity and then request reimbursement for it. Most commonly, the grantee submits requests monthly. The organization needs to have at least a month worth of cash reserves to cover costs until the reimbursement is processed and paid.

- **Unit Cost Basis**, in which the grantee has negotiated a cost per service delivered (e.g. number of people fed per week). This is rare.

Matching

Many funders have a match requirement which is often intended to increase the organizations commitment to the project. Match requirements are expressed as a ratio or percentage of the funds being received. The manner in which the match is calculated may vary between grants so check your grant information for specifics. There are two primary kinds of match:

- **Cash** – The organization must raise the match funds and spend them on the proposed project. Match funds can be funds received from other non-federal grants as long as the funds were derived from local funds, possibly state funds when documented as allowable.

- **In-Kind** – The in-kind can be volunteer hours, donated rent, etc. It is critical that appropriate records be maintained to support the match, and the amount of in-kind must be reasonable.

Reporting

Most grantors will provide specific programmatic and financial reporting formats that must be followed. The frequency will vary; however, government grants generally have more frequent reporting requirements than other funding sources (see "Types of Funders" below).

Budgeting

Many grantors allow budget differences without prior approval. However, there are generally limits on how much the deviation in budgeted amount can be without preapproval by the granting authority. Refer to the award documentation on restrictions that may apply to avoid any confusion.

Types of Funders

Foundations

- Foundation grants are often most desirable.
- Typically, few restrictions on use of funds.
- Usually less stringent reporting requirements (periodically, semi-annually, annually).

Federal Government

- Grants received directly from the federal government or via a "pass through" from state and local governments
- Federal restrictions, regulations, and reporting requirements.
- Additional state or local requirements for "pass through" sources.
- Varied levels of tracking and reporting.

State Government

- State governments, such as the State of Texas, grant both pass through federal funds and funds that originate from the State's budget.
- Federal funds granted by the State do not lessen federal restrictions, and the State may add additional requirements.
- Varied levels of tracking and reporting.

Local Government (County/City/Council of Governments)

- Numerous local municipalities can provide sources of grant dollars.
- Restrictions, regulations and requirements can be specific to these individual funders.
- Federal funds granted by local governments do not lessen federal restrictions.

Corporations

- Corporations generally give out funds as a grant or a sponsorship.

- For tax purposes, grants are often given by a foundation set up by the company which usually has the same name.
- Usually require detailed proposal and reporting requirements

Grant Regulations

Federal

Office of Management and Budget (OMB) Circulars

In December 2013, the Office of Management and Budget (OMB) published 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. This Uniform Grant Guidance (UGG) consolidated grant guidance and implemented efficiency and effective grant reforms.

Effective beginning after 12/26/2014, this UGG supersedes and streamlines OMB circulars A-21, A-87, A-110, A-122, A-102, A-50 and A-133. The UGG can be found at https://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf OR https://www.grants.gov/fi/web/grants/learn-grants/grant-policies/omb-uniform-guidance-2014.html

One of the most important sections in this document is the allowable/disallowable costs. This section should be referred to in order to determine if costs can be charged to the grant. A list of some of the common items from this section is included on the next page.

Other Federal Statutes

All funds for grants must be appropriated in federal law. In addition to the UGG, there may be additional laws that must be followed based on the funding source.

Federal Agency Requirements

There may be programmatic or budgetary requirements promulgated by the awarding agency.

State

Uniform Grant Management Standards (UGMS)

The UGMS were developed to provide restrictions and guidelines for state funds that are granted. The UGMS are nearly identical in structure and format to the OMB UGG.

Other Requirements

Like Federal awards, there may be requirements contained in state law or promulgated by the state awarding agency.

This list is not intended to be exhaustive. All applicable regulations should be referenced to ensure compliance. Please see the "Common Mistakes" section for more information to help account for your grants successfully.

Nonprofits and Lobbying

Please note that 501(c)(3) nonprofit organizations CAN lobby. However, government funds (federal and state of Texas) cannot be used to fund lobbying activities. Funds that can be used for lobbying purposes fall under the "unrestricted" fund category, e.g. membership dues, donations, and money raised through fundraisers.

There are limits on the amount of lobbying such organizations can engage in. In addition, your organization MUST track and report staff time devoted to lobbying, as well as other costs incurred for lobbying purposes. There are important rules, procedures, and reporting requirements that must be followed if your organization engages in lobbying. An activity is generally considered lobbying when you attempt to influence specific legislative action by either communicating with a legislative body (i.e. city council, Congress) or by communicating with the broader public.
Advocacy is NOT restricted and is in fact encouraged. Advocacy refers more broadly to the act of representing the population you are serving and/or presenting the issues that the population faces (i.e. testifying at government hearings on broad social issues without mentioning specific legislation).

If in doubt, it is recommended that your organization err on the side of caution. If you have specific questions about lobbying rules, reporting requirements for nonprofits or the difference between lobbying and advocacy activities, please contact TCFV at 800-525-1978. In addition, for useful publications on nonprofit lobbying, please visit the website of the Texas CBAR: www.texascbar.org

Grant Accounting: Common Mistakes

When working on grant accounting, here are some quick tips to avoid costly mistakes.

General Allowability

A good rule of thumb is that the expense should only be charged to the grant if it meets the objective of the grant, and the amount and nature of the expense must be reasonable. If the item is not included in the circular, then it is considered unallowable.

Common Disallowed Costs

- **Alcoholic Beverages** – Not allowed

- **Entertainment Costs** – Not allowed

- **Equipment Costs** – These costs are often allowed; however, there are often significant approval and reporting requirements that must be followed.

- **Fundraising and investment management costs** – not allowed

- **Interest** – Not allowed except in special circumstances

- **Lobbying** – See above guidelines, "Nonprofits and Lobbying"

- **Food** – Generally the purchase of food is only allowed in two areas: (1) when an individual is traveling on organization business; and (2) food for meetings and conferences when the primary purpose of the event is the "dissemination of technical information". Many auditors strictly interpret allowability of purchasing food for meetings and conferences so use caution.

Supplanting Funds

Many types of government grants prohibit the supplantation of funds. Supplanting means using grant funds to replace State, Local or agency funds which otherwise would have been spent on the specific purpose of the grant awards. In most cases, the additional funds are intended to grow the specific objective.

Grant Proposal & Award Document

Be sure to refer to your grant proposal and award document to ensure you are meeting the programmatic and financial goals that have been set. Keep in mind that your success or failure will be measured against what you committed to do in your proposal.

IV. Budgeting

This Section will focus on how and when to budget, and offer key tips for creating the best budget to guide your organization's work for the fiscal year.

When Should I Budget?

- Budget Cycle

How Should I Budget?

- Strategic Budgeting

- Budgeting "Building Blocks"

- Budgeting Tips

Review

- Budgeting: Common Mistakes

Budget Cycle

The organization's master budget should be in line with the reporting year (fiscal or calendar) which is also the time period on which the tax return will be based. There may be multiple other budget periods that need to be tracked due to different grant periods.

Stakeholders

Board of Directors

The Board of Directors should review and approve the budget prior to the budget year beginning. Also, the Board should approve any material changes to the budget during the budget year.

Finance Committee

The Finance Committee should play a great role in giving guidance for the budget and reviewing it at a more detailed level. For example, the Finance Committee may review some of the supporting budget schedules, while the Board of Directors may only review and approve the master budget.

Executive Director

The Executive Director will be the primary person responsible for building the budget and ensuring it aligns with the organization's mission and goals. Depending on the size of the organization, there may also be a finance staff member assisting in the creation and review of the budget.

Key Organization Staff

It is a good practice to have key staff involved in the development of the budget. In many cases, the funding received is tied to programmatic outcomes. There should be discussion and a reconciliation done to ensure the finances line up with the programmatic objectives and support the successful accomplishment of those objectives.

Timing

The budget cycle should be started with enough time to enable the Board of Directors to review the budget with at least one board meeting remaining before the budget year begins. This will allow for changes to be made if needed and resubmitted for approval at the next board meeting. It is not uncommon for organizations to begin the budgeting cycle three to four months in advance of the budget year start date.

Strategic Budgeting

Many organizations have a strategic plan. Many of the items in the strategic plan require financial resources to be successful. During the budget process, an ongoing question should be how the current budget furthers the organization's progress in concert with the strategic plan. In theory, if an expense doesn't align with the strategic plan it probably shouldn't be in the budget.

Where to Start:

Historical – Many organizations simply look at what was spent last year by category and then adjust

those amounts. This is often the quickest way to complete the budget cycle; however, it doesn't provide a good process to evaluate revenues and expenses to determine if they meet the strategic plans of the organization.

- **Zero Based/Project** – A more time consuming but usually more productive method to build a budget is to assume that no expense must be incurred unless it is individually needed and approved. This process allows organizations to scrutinize the budget closely and only budget for costs that are reasonable and meet the organizational objectives. Obviously, this method can be more intensive and even stressful, but it is also a valuable tool to help ensure the long-term viability of an organization.

Budgeting "Building Blocks"

Funding Sources

Identifying all of the funding sources available to an organization is an important first step when building a budget. For many organizations, this will include reviewing the grants received and fundraising events. Collecting the information related to the revenues and expenses associated with specific funding sources will facilitate the budget building process.

Revenues

All types of revenues by funding source should be identified. In many cases, an evaluation of the funding source will need to be made to determine if the funding source will be ongoing and if the total funding amount will change.

Expenses

Itemize all of the expenses that are being projected for the budget cycle. It is important to make sure restricted expenses and revenues line up. A common mistake for nonprofits is to balance the budget without doing a funding source analysis. If this step is not taken, the budget may be balanced only because it is implied that unallowable costs are being paid for out of grant funds.

Cash Forecast

Depending on the financial reserves of the nonprofit, it may be necessary to forecast revenues and expenses by month to determine if there will be cash flow shortages that need to be addressed.

Surplus/Loss

In any budget year, there may be a balanced budget, revenues = expenses, or there may be a surplus or loss. Many organizations are trying to budget for a surplus to help build cash reserves. Conversely, you could have a loss if you have significant cash reserves you can use. If you intend to have a loss, it should probably be noted in the budget where the funds are located to make up the difference.

Circular Budgeting

It is not uncommon to go through the budget process several times before arriving at one that can be taken to the finance committee. In many cases, you will do the steps above and realize you have a loss projected even though you didn't plan on it. To rectify this problem, you generally need to start at the

beginning and analyze your revenues and expenses to add or remove items to correct budget problems.

Items to Keep in Mind

Many nonprofits have gotten into significant financial jeopardy by being overly optimistic about revenue projections. It is far better to underestimate revenues and overestimate expenses. Also, always be certain that your expenses allocated to the funding source are allowable.

Budgeting Tips

- **Impact** – Most organizations spend the vast majority of their funds on salary, fringe benefits, and occupancy costs (rent, utilities, etc.). It is critical to ensure these amounts are budgeted correctly since they have such a substantial impact.

- **Non-Essential Purchases** – The organization may wish to budget for items that will only be purchased if funding becomes available. If this approach is used, the revenues and associated expenses should be clearly indicated so the appropriate purchases can be made during the year.

- **Budget Reference** – It is often highly beneficial to provide the appropriate individuals with a copy of the budget and associated accounting codes. This provides everyone with a ready budget reference to determine what and how much was budgeted. Also, it helps ensure that transactions are being coded appropriately.

- **Crosswalk** – The items being budgeted should be clearly marked with the associated codes in the accounting system to ensure that reports can be easily generated and transactions are entered correctly, creating a "crosswalk." The person entering the transactions into the accounting system may refer to this document on a daily basis.

- **Procrastination** – One of the worst actions an organization can do is to ignore the budget and actual expenses until it is too late. If a problem is identified early on, it can often be handled with less disruption to the organization. This is especially true for grant budgets. If there is a problem with under or overspending a grant, you should contact the funder as soon as possible to determine what options are available. Keep in mind the funder gave you the money because they want you to spend it, but it must be spent within the realm of grant guidelines.

- **CAP Plan** – Include a Cost Allocation Plan with the budget.

Budgeting: Common Mistakes

When working on budgeting, here are some tips to help avoid making costly mistakes:

- **Develop one budget and commit to doing it right.** In the deadline oriented world in which we live, it is often tempting to throw a budget together because the Board is asking for it. Keep in mind the success of your organization may depend on proper budgets and tracking.

- Make sure **to balance by funding source** if you have some restricted sources. If you are over budget on one grant and under on another, the big picture looks good, but you could have serious problems.

- Don't spend too much time on the little stuff. Many organizations spend more than 80% of their budget on salary, fringe, and rent. If you get those numbers correct you are a long way toward making sure you can cover your costs.

- Focus on the revenue sources. Generally, you will spend the money predictably; however, the revenue coming in can be more unpredictable. Double check your assumptions and document them so you know if you are on track or not.

- If possible, be conservative when estimating revenues and less conservative on the expenses. This presents a worst-case scenario from which to work.

V.   Cost Allocations

This section will help you correctly allocate your costs. It is closely connected to grant management. In this section, you will learn how to allocate costs, and what common mistakes to avoid.

How Do I Allocate Costs?

- Basis of Cost Allocation
- Methods of Cost Allocation
- Cost Allocation Worksheets

How Do I Avoid Making Allocation Mistakes?

- Common Allocation Mistakes

Review

- Sample Cost Allocation Plan and Spreadsheet

Basis of Cost Allocation

Classification of Costs

The classification of costs is a major component of grant funding, especially for government grants. The way a cost is classified and allocated can determine whether the cost will be considered allowable or not.

- **Direct Costs** – Costs that are clearly attributable to a particular funding source. An example would be a caseworker who only works with clients that are clearly the population the grant was intended to benefit.

- **Shared Direct Costs** – Costs that benefit multiple funding sources. These would generally be considered direct costs; however, an extra process must be implemented to determine what portion of the cost is directly covered by each funding source. An example of this would be a caseworker who works with clients who could fit under more than one funding source.

- **Indirect Costs** – These are costs that benefit all programs and are not clearly attributable to a particular funding source or program. Examples could include costs associated with accounting personnel, administrative costs, and facility costs such as rent, insurance, etc.

Handling of Costs (based on classification)

- **Direct Costs** – These costs are the easiest to handle because the entire cost is charged to the associated funding source.

- **Shared Direct Costs** - A mechanism must be created to determine what portion of the cost is associated with each of the funding sources. See "Sample Organization Cost Allocation Plan" for examples of allocation methods.

- **Indirect Costs** - These costs may be charged to various funding sources; however, they must be charged no more than their proportional share of the cost.

Methods of Cost Allocation

Shared Costs

- **Time Sheets** - Time sheets are the most common mechanism used to determine how shared costs should be distributed. Each employee is given a timesheet with the specific grants and/or activities for the grant listed. The employee then determines how much of their time each day was spent in each activity. At the end of the time period, the percentages by funding source are calculated, and the associated funding sources are charged based on the actual percentages.

- **Programmatic** - There are some organizations that can use programmatic information such as service delivery records or other usage-based proxies to determine what the level of effort is by funding source. This is an acceptable alternative to timesheets, and it reduces the burden on staff of tracking their time. However, it is often very difficult to associate programmatic tracking elements with level of effort that will stand up under audit scrutiny.

- **Prorated** - Costs can be allocated based on a prorated calculation of each program's total expenditure budget in proportion to the total expense budget for all of the programs sharing the

expense.

Indirect Costs

- **Salary/FTE Allocation** - The most common methodology for allocating indirect costs is to use the funding source splits derived from the direct and shared cost tracking. The indirect costs are allocated on a periodic basis in the same breakdown.

- **Other** - There are a number of other allocation methodologies that can be used for indirect costs. The key to allocating any costs is to do it with the best possible proxy. For example, square feet can be used to allocate facility costs if it can be clearly determined which funding sources benefit. Also, it is common to have logs track usage on items that can be metered such as copiers and postage meters.

The attached "Sample: Cost Allocation Plan" in the Appendix provides a detailed example of allocated cost categories, methods of allocation, and an allocation spreadsheet based on an annual budget.

Cost Allocation Worksheets

Most organizations will use a spreadsheet of some kind to track their cost allocations. These worksheets can be used as support for the **journal entries** in the accounting system. It is critical that understandable documentation be created and maintained in order to ensure the costs will not be disallowed if the organization is audited.

Often entries are made that make sense at the time, but, due to limited documentation, it is difficult to determine the exact rationale at a later date. A good practice is to create a spreadsheet in Microsoft Excel with all the necessary information, and then print out the entry in the accounting system. Both of the items can then be filed together for future reference. If timesheets are being used as a basis for the allocations, then they should be available to support the worksheet calculations.

The attached "Sample Cost Allocation Plan" includes a worksheet set up to reflect the annual plan for allocations. Throughout the year, the organization should update the numbers based on actual expenditures and compare to the budget of each grant.

Cost Allocations: Common Mistakes

When allocating costs, be on the lookout for these common mistakes.

- **Inadequate Processes** – The entire allocation process and funding sources will be in jeopardy if there is not sufficient processes and documentation in place to support the allocations. Since the primary source of allocations is often timesheets, this process should be given significant attention.

- **Allocating Based on Budget** – Many organizations will allocate based on their budgeted amount instead of actuals. While this helps ensure you will not go over budget, it places the organization in serious jeopardy of having audit findings and losing funding. Therefore, it is critical to check budget against actual throughout the year to determine if the costs are being

allocated significantly different than originally estimated. If this occurs, it may be necessary to evaluate the organization's activities to see if adjustments need to be made.

- **Improper Methodology** – This is often a matter of common sense. The way an organization allocates expenses should make sense to any third party. A cost allocation process that used square footage to allocate the costs of a phone bill, for example, would be an improper allocation methodology. So, whatever proxy you use in the allocation process, if it doesn't make clear, logical sense, it is probably not allowable!

- **Delayed Allocations** – It is allowable to allocate costs on a budgeted basis for a short period, but the costs must be adjusted to actual costs for the period in question at some point. It is often better to allocate monthly, since adjusting to actuals at a later date can be more difficult. Also, the more frequent the allocations are done based on actual costs, the sooner you will know how the budget projections are being impacted.

- **Not Reviewing your CAP** - It is recommended that you review your cost allocation plan each year and at a minimum every two years or when there is a major change in the organization

Sample Organization Cost Allocation Plan

Only costs that are allowable, reasonable, and necessary in accordance with the OMB Circular cost principles will be allocated by Sample Organization. The Cost Allocation Plan will be used to document, identify, and allocate costs. When an allocation can be assigned directly to a program or grant, the allocation will be made in that manner. When expenses are general in nature (not specific to a program), the allocation will be made through the use of a basis which is equitable to all programs and grants.

Sample Organization will allocate costs to particular grants and contracts as follows:

A. **Allowable direct costs** – costs that are identifiable specifically to a particular program. Costs are charged directly to the program, grant, activity, etc.

B. **Allowable shared direct costs** – costs that can be identified to apply to more than one program or shared between specific programs are prorated as direct costs to each program identified using a base most appropriate to the particular cost being prorated.

C. **Indirect and allowable general and administrative costs** – costs that are incurred for and benefit all programs and cannot be identified to a specific program or cost center. Allocated to programs, grants, and cost centers using a base resulting in an equitable distribution.

D. **Disallowable costs** – Costs that are unallowable in accordance with UGG, will not be charged to federal or state grants.

The following information summarizes the allocation methods used by Sample Organization. The attached Cost Allocation Plan spreadsheet reflects allocations for 9/1/2018 - 8/31/2019 budget.

A. **Salaries and Wages** – Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. If salary cost benefit more than one program

they will be allocated based on the ratio of each program's salaries to the total of such salaries.

B. Fringe Benefits – are allocated in the same manner as salaries and wages.

C. Travel Costs – Allocated based on purpose of travel. All travel costs (local and out- of town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries. Travel costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries.

D. Professional Services Costs (such as consultants, accounting and auditing) – If professional service costs are identifiable to one program they are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses.

E. Office Expense and Supplies – Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses.

F. Equipment – Equipment used solely by one program is charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the costs will be based on the ratio of each program's expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses.

G. Printing – Expenses are charged directly to programs that benefit from the service. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses.

H. Insurance – Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses.

I. Telephone/Communications – Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses.

J. Facilities Expenses – Allocated based upon usable square footage. The ratio of total square footage used by each personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage.

K. Training/Conferences/Seminars – Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries. Costs that

benefit all programs will be allocated based on the ratio of each program's salaries to total salaries.

L. **Other Costs** (including dues, licenses, fees, etc.) – Other joint costs will be allocated on a basis determined to be appropriate to the particular costs.

M. **Disallowable Costs** – Costs that are unallowable in accordance with UGG, including alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties, lobbying and fundraising, will not be charged to federal or state programs.

A Cost Allocation Plan should include a worksheet that designates each funding source and expense allocation numbers. Sample spreadsheet is located in the Appendix.

VI. Transaction Processing

This section will focus on best practices for managing and tracking incoming and outgoing funds, as well as provide template forms for you to use for your own organization.

What Transactions Should I Be Making?

- Transaction Processing
- Monthly Closing
- Tax Reporting and Payment

Review

- Transaction Processing: Common Mistakes

Transaction Processing

An important part of processing any transaction is knowing how the item should be classified, what accounts should be used, cost center codes, funding source, and revenue or expense category.

Deposits

- Make deposits often.

- Keep copies of checks before depositing.

- Enter deposits into accounting software system.

Paying Bills

The payment of any bill should be based on supporting documentation and proper approvals. A check request form, invoice, packing slip, and purchase order are examples of documentation to support the transaction.

- Source Documentation – the documentation being used to support the expense should be carefully reviewed to ensure coding is correct and approvals are obtained.

- Paper Checks – these are often the easiest way to control disbursements; however, it is often more time consuming and costly.

- Electronic Transfers – this process is becoming increasingly common; however, it makes it more difficult to keep track of disbursements and monitor the cash balance. If an organization uses electronic transfers, a system should be created to track when and how much the transfers should be.

Petty Cash

Petty cash should be tracked via a petty cash log, and supporting documentation should be collected to support the expenses.

Credit/Debit Card

A log should be kept to track the expenses being charged, and there should be supporting documentation to support the expenses.

Monthly Closing

The monthly closing process was a very formal step in the accounting process in years past; however, it is more of a checkpoint for nonprofits before creating the monthly reports. The process of monthly closing seeks to ensure that all of the entries for the month have been recorded and properly reconciled. This step will help minimize future adjustments and reporting changes.

- **Bank Reconciliation** – Performing the bank reconciliation is one of the most important steps in the monthly closing process. Since most of an organization's financial transactions impact cash, the bank reconciliation process can ensure that most of the entries have been made.

- **Non-cash Entries** – The non-cash entries will vary from one organization to another, and it is highly dependent on whether the cash or accrual method of accounting is used. One of the most important entries to be made is entering the accounts receivable for the grants that are on a reimbursement basis. This will show the revenue for the month as closed on the income statement and an amount due on the balance sheet.

- **Income Statement Items** – These close at the end of each year and roll into the fund balance so they are considered temporary accounts.

- **Balance Sheet Items** – These are considered to be permanent since they do not close on a yearly basis. Review the balance sheet items to determine what they are composed of. For example, if an organization has receivable or payable balances there should be a corresponding list of items that make up those amounts. For example, if there were accounts receivable of $10,000 then there would be a list of individuals or organizations that owe $10,000.

Tax Reporting and Payment

Employee Classification

In order to properly process payroll, all employees should be classified as exempt or non-exempt based on the Fair Labor Standards Act (FLSA). The classification is primarily a human resources function, but it significantly impacts the payroll function. Employees who are non-exempt under the FLSA must be paid overtime for work exceeding 40 hours in a work week. Time sheets should provide a mechanism to track overtime.

Texas Payday Law

One section of the Texas Payday Law dictates the frequency of pay periods. Non-exempt staff may not be paid less frequently than bi-monthly.

Tax reporting and payment

If you are not using an outside provider for payroll processing, you must submit periodic reports and payments for payroll taxes.

- **Federal Payroll Taxes** – IRS tax form 941 must be filed on a quarterly basis. This form reconciles the amount of taxes remitted by type and frequency. The frequency that payroll taxes must be paid is based on the size of the organization's prior payroll. The basis for 941 and payment deadlines can be found in the 941 form instructions at the IRS website.

- **Unemployment Taxes** – Unemployment taxes must be remitted on a periodic basis to the Texas Workforce Commission. As with the Federal taxes, the frequency is dependent on the size of the organization.

- **IRS Form W3/W2** – At the end of the year the W2s must be created for each employee and the W3 for the employer. The documents must be submitted by January 31st of the following year. NOTE: The W3/W2 must reconcile to the 941s that were submitted during the year.

Transaction Processing: Common Mistakes

When processing transactions, here are some quick tips to avoid costly mistakes.

- Many organizations run into trouble because they don't keep appropriate supporting documentation for their accounting transactions. Failure to do so can result in audit findings, disallowed costs, and general confusion.

- Put enough detail in the description field so you know why you are making the entry. Unless you have a photographic memory, you be grateful later when you have to look up information.

- Some accounting systems such as QuickBooks allow you to change transactions after the fact. Changing transactions after the fact will create discrepancies in prior reports. This is especially problematic if it affects grants. If adjustments to transactions need to be made or corrected, use the journal entry process because it will provide an audit trail.

- If you have multiple people working on finances make sure everyone is following the same standards of documentation, data entry, etc.

VII. Internal Controls

This section will focus on the right precautions to take when working with money to ensure accurate and legal transactions. Additionally, it provides common abuses to watch out for and a sample policy to use for your organization.

What Are The Right Precautions?

- Types of Internal Controls

What Do I Watch Out For?

- Common Types of Embezzlement

How Do I Implement These Practices For My Organization?

- Sample: Policy and Procedure

Review

- Internal Controls: Common Mistakes

Types of Internal Controls

- **Deposits** – the importance around controlling deposits has decreased somewhat since more and more transactions are being done electronically. However, if your organization handles cash, significant attention should be paid to this area. As a general rule, the person(s) opening the mail and making the deposits should not be the same person(s) who makes the entries in the accounting system. Basically, there should be at least two people in the process to act as "check and balance" upon one another, ensuring each is acting appropriately.

- Disbursements

    ▸ **Physical Checks** – Policy should be developed around who has the authority to sign checks; the authority may change as the amounts increase. Some organizations require dual signatures on checks as an added control. The person entering the accounting transactions should never have sole authority to sign checks.

    ▸ **Electronic Fund Transfers** (EFTs) – EFTs are more difficult to control since there is no check to sign. A common control is to have a list of approved EFTs that can be made, and someone other than the person entering them should validate the items.

    ▸ **Petty Cash** – Petty cash should be audited on a periodic and unannounced basis by someone other than the person managing the petty cash.

- **Payroll** – All payroll entries should be supported and properly authorized. Employees should sign a payroll change form authorizing deductions. The person entering payroll should not be the person approving the payroll.

- **Bank Reconciliation** – The bank reconciliation should be done on a monthly basis, and it should, ideally, be performed by someone other than the person doing the bookkeeping entries. The reconciliation should be taken seriously since it is one of the easiest ways to identify impropriety.

- **Inventory** – An annual inventory should be performed to accurately account for all assets. Any missing items should be investigated and resolved.

- **Procurements** – There should be a policy spelling out how items are procured. The level of effort in establishing such a policy for getting bids is often tied to the amount of the bid. The goal of the process should be to ensure that the organization gets the best value while minimizing the possibility of conflict of interest.

Common Types of Embezzlement

While most nonprofit organizations never have to deal with the painful situation of embezzlement is important to stay alert and be able to recognize its signs.

- **Petty Cash** – Theft of petty cash is often the first way embezzlement begins. It is an easy cash source, and the individual often rationalizes it by telling themselves they will just use it until payday.

- **Improper Pay** – The individuals entering transactions will sometimes adjust the amount they are being paid. This is often easier to identify so small incremental amounts will be used.

- **Disbursements** – The most common way people embezzle larger sums of money is to make payments to themselves or payments to third parties on their behalf. They might key the information in the accounting system as something ordinary, such as supplies. Many organizations would notice large sums missing, so some individuals will not make payroll tax payments. Such payments will often not be noticed by the organization until the IRS begins sending letters. Often this is not helpful until too late, since the individual may also hide the IRS letters.

Policy & Procedure

All organizations should have a board-approved set of financial policies and procedures that give high level details on accounting policies, and contain important information on the internal controls that will be maintained. Below is a sample statement of financial policies.

Sample: Financial Policies

Nonprofit Agency, Inc. strives to have the best possible system of internal controls and financial accounting. These financial policies are set by the Board of Directors to guide the work of staff and outsourced financial management.

I.   Finance Committee
The Board of Directors of Nonprofit Agency, Inc. will annually appoint a Finance Committee who will work under the Board Treasurer to ensure the appropriate preparation of an annual budget, appropriate handling and distribution of funds, and the appropriate preparation and presentation of regular financial statements. The Finance Committee directs, reviews, and presents the annual audit to the Board of Directors.

II.   Approval of plans and commitments before they are implemented
The Board of Directors will set the annual budget, based on the Nonprofit Agency, Inc. fiscal year (January through December), to direct how funds are spent. Board approval is necessary in order to spend funds or make financial commitments to projects that have not already been incorporated into the approved budget.

III.   Accurate, timely financial reports and information returns
The Finance Committee oversees that Nonprofit Agency, Inc. provides accurate, timely financial reports and information returns. The Finance Committee will review regular financial statements, including a balance sheet, a comparison of actual financial activity to the approved budget, and projected cash flow. The Office staff will maintain a calendar of report deadlines and will advise the Board of Directors to ensure that all financial reports and information returns have been filed as required.

IV.   Compliance with other government regulations
Nonprofit Agency, Inc. will comply with all government regulations pertaining to grants and contracts. When new funds are awarded from a public entity via a contracting organization, staff will review the documentation to ensure that Nonprofit Agency, Inc. is in compliance with all regulations of the

contracting organization.

V. <u>Banking institutions and accounts</u>

In order to minimize risk and maximize benefit, Nonprofit Agency, Inc. utilizes only federally insured local banking and savings institutions. The amount on deposit with any one institution may not in the usual course of business exceed the FDIC insured limit of $100,000.

VI. <u>Deposits</u>

All income intended for Nonprofit Agency, Inc. will be properly received, deposited, recorded, reconciled, and kept under adequate security. Any cash received must be promptly and fully deposited.

VII. <u>Grants, gifts, and pledges</u>

All grants and gifts will be properly received and recorded. Compliance with terms of any related restrictions will be monitored by staff and reported to the Finance Committee. Pledges are recorded at the time they are made.

VIII. <u>Donated goods and services</u>

Donated goods and services are recorded in an "in-kind ledger" with annotations about source, materials and estimated values. Estimates are recorded at fair market value. Services, including but not limited to volunteer hours (direct service, event, board and administrative) and professional services (dentists, doctors, legal, etc.), shall be computed at rates commensurate to the tasks performed. Annually, Nonprofit Agency, Inc. will report to the Board which will review the In-kind ledger. In-kind contributions are factored into the Nonprofit Agency, Inc. annual budget and audit.

IX. <u>Fixed assets</u>

Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation.

Depreciation expenses are calculated using the straight-line method and the following estimated useful duration:

Buildings and improvements   10-35 years
Furniture and equipment   3-10 years
Vehicles   3-5 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred. Nonprofit Agency, Inc. capitalizes all fixed assets with a cost greater than or equal to $1,000 and a useful life greater than one year, unless otherwise stipulated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply. Fixed assets may be acquired and disposed of only upon proper authorization by the Board of Directors (including by inclusion in the approved annual budget), will be properly recorded, and will be adequately safeguarded. Nonprofit Agency, Inc. will conduct a regular inventory of fixed assets and maintain a central list of fixed assets which includes registration numbers, warranty information, original cost, and service contract information as appropriate.

X.   Line of credit
Nonprofit Agency, Inc. shall maintain an appropriate line of credit to ensure regular cash flow, the use of which may be approved by the Executive Director and shall be reported to the Finance Committee.

XI.   Petty cash
A petty cash fund may be maintained by staff to facilitate efficient operations. Such petty cash funds will be disbursed only for proper purposes, will be properly recorded, and will be adequately safeguarded at all times. Reconciliation of receipts will occur on a monthly basis.

XII.   Credit card
Nonprofit Agency, Inc. may maintain a credit card account to facilitate efficient operations. Credit cards will only be issued in the name of specific employees with specific credit limits as appropriate and will be adequately safeguarded at all times. All credit card transactions will be for proper purposes and will be properly recorded.

XIII.   Procurement and purchasing
Nonprofit Agency, Inc. will always seek to maximize value and cost-effectiveness in all procurement and purchasing. Purchases exceeding $1,000 shall require at least three competitive bids.

XIV.   Disbursements
The Board of Directors possesses authority to approve payments for services and financial commitments of Nonprofit Agency, Inc. Funds will be disbursed only upon proper authorization of management and only for valid business purposes. All disbursements will be initiated from properly authorized documentation and will be properly recorded. No check may be made out to Cash. The Board shall designate the Board Chair, the Board Treasurer, the Executive Director, and any other Board member or staff member deemed appropriate as authorized signers of checks on behalf of Nonprofit Agency, Inc. Any check for an amount over $2,500 must carry two signatures unless otherwise specifically authorized in advance by the Board of Directors (such as for payroll or office rent). No check signer may sign a blank check or a check payable to himself/herself.

XV.   Payroll
Payroll disbursements will be made only to bona fide employees and only upon proper authorization. Changes to each payroll will be properly documented. Nonprofit Agency, Inc. will ensure that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are met. Payroll checks will not be released prior to payday, and employee advances are not permitted.

XVI.   Reconciliation of banking/security statements
All banking/security statements will be delivered unopened to a designated individual who is not otherwise involved in the preparation of checks, the depositing of funds, or is an authorized signer of checks. This designated individual shall review, reconcile, and initial each statement on a timely basis.

XVII. Contracts

A. Procuring Contracts

All procurement transactions will be conducted in a manner to provide practical, inclusive, and free competition. Nonprofit Agency, Inc. shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict competition or restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop grant applications, specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurement. Cost or price analysis will be made and documented in connection with every procurement action before a contract is awarded. Various ways of price analysis include comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the evaluation of each element of cost to determine reasonableness, necessity, allocability, and allowability.

B. Awarding Contracts

Awards shall be made to the bidder whose bid is most advantageous to the recipient after considering all factors. Nonprofit Agency, Inc. will clearly set forth all requirements that the bidder must fulfill in order for the bid to be evaluated by the recipient. Any and all bids may be rejected when it is in Nonprofit Agency, Inc.'s interest to do so. No employee, officer or agent shall participate in the selection, award, or administration of a contract if a conflict of interest would be involved. Such a conflict would arise if the employee, officer or agent, or any member of their immediate family, their partner, or an organization which employees are about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. Officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of greater than nominal monetary value from contractors, parties to sub- agreements, or parties receiving benefits or services from Nonprofit Agency, Inc. Any violations of such standards by officers, employers or agents of Nonprofit Agency, Inc. shall be subject to disciplinary action as outlined in the Personnel Policies. Any gifts of whatever value received at Nonprofit Agency, Inc. will be considered gifts to the organization. Money and gratuities received from public appearances as representatives of Nonprofit Agency, Inc. will be deposited as unrestricted revenue to Nonprofit Agency, Inc.

C. Contract Administration

Nonprofit Agency, Inc. will maintain a system for contract administration to ensure the following: compliance with the terms and conditions of the contract, the adequate and timely payment of all obligations, ensure that contractors have met the terms, conditions and specifications of the contract, and the proper evaluation of contractor performance. Procurement records and files for purchases in excess of $5,000 will include the following: basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained and (c) basis for award cost or price.

Internal Controls: Common Mistakes

When setting up and managing internal controls, remember these key points to avoid mistakes.

- Be smart and safe. Unethical financial decisions can result in a range of outcomes from an audit finding, embezzlement, jail time, and other distasteful consequences.

- Many organizations have good internal controls documented, but they fail to follow them. While you may avoid an audit finding, it kind of defeats the purpose.

- Review the internal control policies on a regular basis to make sure they still meet the organization's needs.

VIII. Financial Reporting, Audits, and Monitoring

This section will help you understand what reports to create and how they are used, how to best use those reports, and the process of being audited.

What Reports Are Used and Why?

- Types of Financial Reports

How Can I Best Use These Reports?

- Reporting Tips

Audits and Monitoring

- Audits
- Grant Monitoring Visits

Review

- Financial Reporting: Common Mistakes

Types of Financial Reports

Balance Sheet (statement of financial position)

The balance sheet shows the organization's assets, liabilities, and fund balance as of a particular point in time. It is considered a snapshot since it shows the position as of a certain day, not a longer period of time. The important elements of the balance sheet are the cash, receivables, and liabilities. This can give the reader quick indications of the financial health of an organization. In nonprofits, the balance sheet is often called the Statement of Financial Position.

Income Statement (statement of financial activities)

The income statement shows the revenues, expenses, and net income/loss for the organization over a period of time. This report gives a good indication of where the funds are coming from and where they are going. Also, it can indicate how the cash balance is being affected. However, if the accrual method is being used, there may be some accrual entries that are affecting the net income/loss but not cash. For example, an amount billed to a grant for reimbursement would show up as revenue, but it would be reflected in the accounts receivable not cash. This is the report most readers will spend their time reviewing. In nonprofits, the income statement is often called the Statement of Activities, and, in QuickBooks, it is called the profit and loss statement.

Budget-to-Actual Performance

The income statement will often be integrated with the budget to show how the financial activity relates to what was expected. Ideally, the budget was entered into the accounting system so this report can be automated.

Cash Flow

If created, a cash flow report might also be used to determine how the cash flow is compared to expected, and it will help identify if action needs to take place.

Statement of Cash Flows

This statement is generally only produced by auditors for the annual report. The statement is used to reconcile the differences between the cash basis and accrual basis of accounting. It is rarely produced in routine reporting.

Sample Reports

Sample reports are included in the Appendix section.

Reporting Tips

Frequency

It generally doesn't make sense to do reports more than monthly since many expenses and revenues occur monthly. The board may want reports monthly or possibly quarterly, depending on the board meeting schedule and other factors.

Audience

Many of the reports generated will be based on the audience. Generally, reports for internal use will be more detailed. Also, the Board may prefer to review aggregated financial data. A rule of thumb is to provide each audience with the information necessary to make the decisions needed.

Report Creation

If at all possible, the reports should be produced directly out of the accounting software. This minimizes the amount of time spent on creating reports and potential errors from rekeying data into an alternate format.

Report Archive

A hard copy or unalterable electronic (PDF) file of reports should be retained for future reference. Often there may be changes made in the accounting system or reporting file (Excel) that will alter reports, and it can be difficult to see what was actually produced historically.

Audits

An audit is an accounting process performed by an independent body to examine an organization's financial transactions and statements. Depending on the amount of funds received from government sources, an audit may be mandatory. Another reason many nonprofits have an audit performed is that potential funders often request the last set of audited financial statements.

During an audit the organization is required to produce financial reports which the auditor reviews and offers recommendations for adjusting entries. The auditor will write a letter of opinion about the financial statements provided to them.

An auditor is not making an assertion that there are no errors or even fraud in the financial statements. They are saying that there are no errors or frauds that materially affect the financial statements.

In addition, there is a Federal and State requirement that a Single Audit be performed for organizations who receive State or Federal funding in excess of $750,000 per year. The requirements for the Single Audit are contained in the Uniform Grant Management Standards (UGMS) and the Office of Management and Budget (OMB) Uniform Grant Guidance (UGG). The Single Audit will generally cost more than a normal audit because additional work must be completed as well as producing additional reports about the grants. Keep in mind that a grant may actually be comprised of Federal or State funds even though it is received from a non-State/Federal organization.

At the start of an audit, the auditor should have an entrance meeting and provide the organization with a list of items that will be needed to complete the audit. Depending on the size of the audit and organization, the amount of records requested will vary.

In addition to the formal audit report, the auditor will provide the organization with a management letter of observations and recommendations to improve organizational fiscal integrity. While compliance with the recommendations is not mandatory, the recommendations should generally be

implemented.

During the past few years, rotating auditors after a period of 3 to 5 years has become viewed as a best practice. This rotation helps ensure the organization and the auditor have not become too complacent with each other, and it allows for a new perspective.

Grant Monitoring Visits

Funders, agencies, and oversight organizations perform grant monitoring visits. These can be fiscal, programmatic, or both. Monitoring visits are not considered audits. The purpose of grant monitoring visits is to determine whether the grantee carried out all its grant requirements and responsibilities.

The frequency and complexity of a grant monitoring visit varies and is determined by the agency that awarded the grant. Grant monitors examine transactions and reports to ensure expenditures were in authorized budget categories and monies were spent for the purpose originally intended.

A monitoring report is issued following the review, which contains the results, issues of concern, questioned items, and findings. The monitoring agency requires the grantee to provide explanations and corrections as needed to resolve the issues identified.

Financial Reporting: Common Mistakes

When reporting finances, strive to avoid these typical mistakes.

- Make sure the reports being created are useful, readable, and appropriate for the audience receiving the reports.

- Produce as many reports as you can directly out of the accounting system. Manually creating reports in a spreadsheet is time consuming and increases the potential for errors.

- Review and analyze reports prior to distribution. Often you can see potential problems which you can correct or be prepared to address.

- If you do nothing else, make sure the bank reconciliation is completed each month. This will help ensure all the entries are in the accounting system, and your reports will be much more accurate.

IX. My Agency

This section is designed specifically to help your organization understand and track all aspects of your bookkeeping. You will be creating an organizational bookkeeping history to guide the work of all who participate in bookkeeping for your organization. This will help prevent board and staff transition from impeding your organization's work.

To keep this document current, be certain to update as information changes.

My Agency's Bookkeeping Information

Agency:_____

Form Completed by:_____ Date: _____

Financial Policies and Procedures:

Do they exist?   Yes   No

Where can they be found? _____

Reporting year:

What is the organization's reporting year? (include dates) _____

Accounting Software:

Name:_____   Version:_____

Maintenance Agreements: _____

Information Back-up:

How often do you back-up? _____

In case of an information emergency, where is the backed-up information located?

Accounting Basis:

What type of reporting system do you use?   Cash   Accrual

If accrual, what items are being accrued? _____

Banking:

What is the name of your bank? _____

What types of accounts do you have with this bank? _____

Who is your contact at the bank?

Name:_____   Title:_____

Email:_____   Phone:_____

Deposits:

How frequently do you make deposits? _____

Describe the process for documenting deposits: _____

Payments:

Are there any automatic electronic payments?   Yes   No

If yes, please describe: _____

Who issues checks? _____

Who can sign checks? _____

Describe how checks are tracked: _____

Grant Billings:

Funder:_____

Grant period:_____   Grant #: _____

Billing method: _____

Due Dates: _____

Funder:_____

Grant period:_____   Grant #: _____

Billing method: _____

Due Dates: _____

Funder:_____

Grant period:_____   Grant #: _____

Billing method: _____

Due Dates: _____

Funder:_____

Grant period:_____   Grant #: _____

Billing method: _____

Due Dates: _____

Credit Cards

Number of credit cards: _____

List all credit cards and their holders: _____

Describe process for documenting credit card payments: _____

Petty Cash:

Does the agency keep petty cash?   Yes   No

If yes, who is responsible for its disbursement? _____

Payroll:

How is payroll processed?   Internally   Externally

What is the payroll schedule for disbursement? _____

Who is responsible for payroll? _____

Employee Leave:

How does the organization track employee leave? _____

Where are the records kept? _____

Tax Returns:

When is the tax return due? _____

Who completes and submits the tax return? _____

Reporting for the Board:

List all board reports, their due dates, and the person responsible for creating.

#	Report	Due Date	Created By:
1			
2			
3			
4			
5			
6			
7			
8			

Reporting for Grants:

List all grant reports, their due dates, location of the files and the person responsible for creating.

#	Grant Report	Due Date	Location	Created by:
1				
2				
3				
4				
5				
6				
7				
8				

Other Notes:

_____

_____

_____

_____

X. Appendix

This section provides further information to help you utilize the toolkit.

Glossary
- Review the glossary for definitions of key terms used throughout the toolkit

Sample Forms
- Timesheet, Semi-Monthly
- Timesheet, Monthly
- Check Request
- Purchase Order
- Travel Reimbursement
- Credit Card Log
- Petty Cash Log

Sample Financial Reports
- Annual Budget
- Income Statement
- Balance Sheet

Sample Cost Allocation Plan (CAP)
- Cost Allocation Plan spreadsheet

TCFV Grant Guide
- This chart gives information on key grants to help you keep your accounting on track.

Glossary

Accounting codes – The codes used in the accounting software to classify accounting transactions by type. The type could include the general ledger items, projects, activities, departments, etc.

Accounts receivables – These are entered to recognize amounts that are owed to the organization but not yet received.

Accrual basis – This is a basis of accounting which matches revenues and expenses to the period in which the revenues were earned or the benefit of the expenses was received. Under the accrual method, the date the cash is received or paid may not match when the benefit was received.

Aggregated financial data – Reports where the individual accounts are combined and classified under another title. For example, the report may have a line called Personnel which is the sum of the account codes: salary, health insurance, payroll taxes, etc.

Audit finding – Either an independent or grant auditor finds a significant problem in your audit and formally submits a "write up" or cites the organization for the inconsistency.

Calendar year – The reporting year for the organization begins on January 1st.

Capitalized Asset – Purchases of equipment or real estate that exceed a dollar amount set by the organization cannot be entered as an expense. The purchase is recorded as an asset and then depreciated over the useful life of the item.

Cash basis – This is a basis of accounting which records revenues and expenses when the cash is actually received or paid.

Circular – The Office of Management and Budget (OMB) in the White House is charged with providing guidelines on Federal funding. These lines are issued in circulars. The primary circular affecting nonprofits is the 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, commonly known as the Uniform Grant Guidance (UGG).

Closing – This is a process where the accounting person enters all the known transactions and updates for a prior period.

Depreciation – The capitalized assets shown on the balance sheet are reduced each year of their useful life. This is done by recording an expense each year for the appropriate amount.

Embezzlement – Theft of organizational funds by an individual associated with the organization.

Fair Labor Standards Act (FLSA) – A Federal law that governs employees and when overtime must be paid.

Fiscal year – The reporting year for the organization begins on a date other than January 1st.

Fringe expenses – Employee-related expenses other than salaries. Examples include payroll taxes,

health insurance, retirement match, etc.

Functional expenses – Expenses that are based on a function such as a program, administration or fundraising.

General ledger – The general ledger is composed of the asset, liability, fund balance, revenue and expense accounts.

In-kind donations – A donation which benefits the organization but no payment is made for the donation.

Itemize – Breaking down aggregate amounts into a more specific level of detail.

Journal entries – A transaction that is entered into the accounting records.

Modified accrual basis – A method of accounting that treats some accounts as accrual basis and some accounts as cash basis.

Occupancy costs – The costs associated with having workspace-related expenses including rent, utilities, telecom, janitorial, etc.

Procurements – The process of buying goods or services for the benefit of the organization.

Reconciliation – The process of comparing two amounts to determine if they are different and why. The most common is the bank reconciliation where the bank statement is compared to the accounting records.

Reporting fields – The accounting codes and associated records that may be needed for reporting.

Requests for reimbursements – A process set up by a funder to request funds for expenses incurred for grant related activities. The requests are generally done on a monthly basis.

Texas Payday law – This is an additional law regulating the payment of employees. An important requirement is that staff subject to overtime must be paid at least twice a month.

Unit cost basis – The cost of an individual item. For example, an office of 1,200 feet that rents for $2,400 a month has a unit cost basis for $2 a square foot per month.

Vendors – The individuals and companies who provide services for payment to your organization.

Sample: Semi-Monthly Timesheet

Name: _____ Month: _____ From: _____ To: _____ Year: _____

Date	Day	In	Out	In	Out	Total Hrs	FND SRC	FND SRC	FND SRC	FND SRC	FND SRC	+/- Flex Time	Sick Leave	Vac. Leave	Other Leave	Comment
1	SUN															
2	MON															
3	TUES															
4	WED															
5	THU															
6	FRI															
7	SAT															
8	SUN															
9	MON															
10	TUES															
11	WED															
12	THU															
13	FRI															
14	SAT															
15	SUN															
	Totals															

Allocations = Total Hrs

+/- This Period
Carried Forward
Net Remaining

Required hrs this period
Timesheet is balanced if -0-

Employee Signature: _____ Date: _____

Supervisor Signature: _____ Date: _____

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Monthly Time Sheet

Agency Name: _____ % _____   Employee Name: _____   MM/YY: _____

Grant # _____ % _____   Grant # _____ % _____   Grant # _____ % _____

Grant #	Activity	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Tot
13537-04	Crisis intervention/ counseling	4																															4
14286-04	Crisis intervention/ counseling	4																															4
13537-04	Trained new counselors		4																														4
14286-04	Trained new counselors			4																													4
13537-04	Assisted victims w/comp. claims		4																														4
14286-04	Assisted victims w/comp. claims			4																													4
13537-04	Holiday Leave				4																												4
14286-04	Holiday Leave				4																												4
	Weekend					0	0						0	0						0	0						0	0					0
13537-04	Assisted victims w/ prof. therapy							3																									3
14286-04	Assisted victims w/ prof. therapy							3																									3
13537-04	Answered hotline calls & ref. callers																		3					3		3							9
14286-04	Answered hotline calls & ref. callers														3				3					1		3							10
13537-04	Drove victim to doctor							1																									1
14286-04	Drove victim to doctor														1										1				1				3
13537-04	Transported victims to shelter							1																									1
14286-04	Transported victims to shelter																												1	1			2
14286-04	Attended VAWA conference								8	8																							16
13537-04	Child care while victim receives services										1								1					2		1							5
14286-04	Child care while victim receives services										1								1					2		1							5
		8	8	8	8	0	0	8	8	8	2	0	0	0	4	0	0	0	8	0	0	0	0	8	1	8	0	0	2	0	0	0	90

☐ If the employee is 100% CJD grant-funded, the supervisor should check this box and sign below to also certify that the employee worked solely on the CJD grant for the period covered above.

Employee Signature: _____

Supervisor Signature: _____

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Check Request

Request Date: _____   Total Amount: $_____

Payable to: _____

Description: _____

Needed by: ☐ ASAP   ☐ Next Week OK   ☐ Other: _____

Item/Exp.	G/L Code	Dept Code	Grant Code	Activity Code	Dollar Amount

Total: _____

Please check one:

☐ Give check to requesting employee   ☐ Mail check to: _____

_____

_____

☐ Give check to: _____

Requested by: _____

Authorized by: _____

General Ledger Codes
7315 Employee Health Insurance
7320 Other Employee Benefits
8310 Board Travel
8510 Operational Travel
8820 Seminars/Conferences
7715 Computer Equipment
7720 Office Equipment
7745 Subscriptions
8220 Library Materials
7710 Supplies
7725 Software
7730 Small Tools

7540 Professional Services
7520 Financial Services
8010 Leased Space
7540 Attorney
7520 Audit
8710 Insurance
7735 Copy Machine
7810 Phone
7910 Postage
8210 Printing
7735 Security System

Department Codes
21000 Administration
16000 Targeted Resources
16100 Continuing Education
16200 Consulting

Grant Codes
13 System Grant
14 Technology Grant

Activity Codes
11000 Fall Fundraiser
12000 Winter Fundraiser
13000 Consular Ball

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Purchase Order

Purchase Order/Request

Purchaser Name: _____

Person Completing Form: _____   Date: _____

Purchases		
Vendor	**Description**	**Price**
	Total:	

Payment and Allocation

☐ Agency Card   Department: _____   Department: _____

☐ Store Card   Project: _____   Project: _____

☐ Personal Card   Funding Source: _____   Funding Source: _____

☐ Other Specify: _____   Amount: _____   Amount: _____

_____   Purpose: _____
Cardholder's Name

　　　Approval Name: _____

　　　Approval Signature: _____   Date: _____

Check Request

Pay to: _____   ☐ Return Check to: _____

Date Needed: _____   ☐ Mail Check to: _____

Check Amount: _____   _____

For requisition to be processed, some form of documentation must be attached - receipt, invoice, order form, etc.

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Travel Reimbursement

Guest Travel Reimbursement Request			
Traveler Name		IMPORTANT NOTICE	
Make Check Payable to		By signing and submitting this form you agree that the requested funds were used for the purposes stated in this form. Receipts must be submitted within 10 business days of your return date.	
Mailing Address			
City, State ZIP			
Origin City, State		Departure Date	
Destination City, State		Return Date	
Traveler Signature			
Date Signed		Event Name	

Travel Expenses		
Type of Expense	Description of Expense	Total Expenses
Airfare		
Lodging		
Rental Car		
Other Transport (Taxi/Parking/Gas)		
Miscellaneous		
Subtotal		

Mileage (Personal Car Only)			
Type of Expense	Description of Expense	Per Mile Rate	Total Expenses
Miles Driven	Attach Google Map route list		
Subtotal			

Per Diem Meals				
Type of Expense		Description of Expense	TX Daily Rate	# Days	Total Expenses
Per Diem Meals	Full Day				
Per Diem Meals	1st/Last Day				
Subtotal					

Check Request		
Itemized Meals	Description of Expense	Total Expenses
Meal 1		
Meal 2		
Meal 3		
Subtotal		

Total Reimbursement Request	

Office Use Only			
Funding Source		Department	
Project Code		Purpose	
Approval Signature		Date Approved	

Sample: Credit Card Log

Carholder Name: _____   Billing Date: _____

Credit Limit: _____

Date	Signed Out To	Vendor/Purpose (Attach Receipts)	Category Code	Dept. Code	Acct. Code	Grant Code	Cost

The Nuts and Bolts Of Bookkeeping: A Toolkit

Sample: Petty Cash Log

Date	Employee Name	Vendor/Payee	Purpose	Amt	Rcpt Attchd.
			Total Used:		

_____   _____

Petty Cash Custodian   Date

_____   _____

Approved   Date

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Budget Spreadsheet

Famcare
Projected Revenue/Expenses
Budget For 2015

Description	Budgeted Amount	VOCA	HHSC	Sexual Assault	The Founda-tion	Unrestrict-ed	Thrift Store	Total Allocated	Difference
REVENUE	-							-	-
								-	-
Government Grants	145,000	70,000	50,000	25,000				145,000	-
Foundations	35,000				35,000			35,000	-
Individuals	8,000					8,000		8,000	-
Corporate	30,000					30,000		30,000	-
BBQ	18,000					18,000		18,000	-
Thrift Store	15,000						15,000	15,000	-
								-	-
EXPENSES								-	-
Salaries	148,000	49,400	35,800	14,800	15,000	33,000	-	148,000	-
Executive Director	52,000	7,800	7,800	5,200	15,000	16,200		52,000	-
Administrative Assistant	28,000	4,200	4,200	2,800		16,800		28,000	-
Program Specialist A	36,000	19,800	12,600	3,600				36,000	-
Program Specialist B	32,000	17,600	11,200	3,200				32,000	-
Fringe								-	-
Payroll Taxes	11,322	3,779	2,739	1,132	1,148	2,525	-	11,322	-
Health Insurance	19,200	6,409	4,644	1,920	1,946	4,281	-	19,200	-
Unemployment Insurance	1,000	334	242	100	101	223	-	1,000	-
Contractual	-							-	-
Facilities								-	-
Office Rent	12,000	1,362	987	408		1,323	7,920	12,000	0
Janitorial	2,400	272	197	82		265	1,584	2,400	0
Utilities								-	-
Telephone/Internet	4,800	1,602	1,161	480		1,557	-	4,800	0
Electricity	3,600	409	296	122		397	2,376	3,600	0
Supplies	6,000	500	500	500	2,500	2,000		6,000	-
Postage/Printing								-	-
Postage	4,200	200	350	300	2,150	1,200		4,200	-
Printing	4,800	200	600	700	300	3,000		4,800	-
Travel	10,000	5,000	1,000	500	3,500			10,000	-
Insurance	3,500		200	200	3,100			3,500	-
Other								-	-
Food	2,300					2,300		2,300	-
Miscellaneous	10,826	533	1,283	3,755	5,255			10,826	-
RESERVE ACCOUNT	7,049					3,929	3,120	7,049	-
Total Revenues	251,000	70,000	50,000	25,000	35,000	56,000	15,000	251,000	-
Total Expenses	250,997	69,999	49,999	24,999	35,000	56,000	15,000	250,997	0
Balance	3	-	-	-	-	-	-	2	-

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Annual Budget Outline

Famcare Estimated Annual Budget:
1. Revenues
    a. Government Grants
        i. Victims of Crime Act (VOCA) - $70,000
        ii. Domestic Violence Svcs: Shelter and Non-Residential (HHSC) - $50,000
        iii. Sexual Assault Services - $25,000
    b. Foundation Grant
        i. The XYZ Foundation - $35,000
    c. Corporate - $30,000
    d. Individual Donations - $8,000
    e. BBQ - $18,000
    f. Thrift Store - $15,000
2. Expenses
    a. Personnel
        i. Salary
            1. Executive Director - $52,000
            2. Administrative Assistant - $28,000
            3. Program Specialist - $36,000
            4. Program Specialist - $32,000
        ii. Fringe
            1. Payroll Taxes – 7.65%
            2. Health Insurance - $400 per month per person
            3. Unemployment Insurance - $250 per quarter
    b. Facilities
        i. Office Rent - $1,000 per month
        ii. Janitorial - $200 per month
    c. Utilities
        i. Telephone/Internet - $400 per month
        ii. Electricity - $3,600
    d. Supplies
        i. Office Supplies - $4,000
        ii. Fundraising Supplies - $2,000
    e. Printing/Postage
        i. Postage
            1. General - $3,000
            2. Fundraising - $1,200
        ii. Printing
            1. General - $1,800
            2. Fundraising - $3,000
    f. Travel - $10,000
    g. Insurance
        i. General Liability - $2,000
        ii. Directors and Officers - $1,500
    h. Other
        i. Food - $2,300 (BBQ)
        ii. Miscellaneous - $5,000

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Annual Budget Outline, continued

FamCare Grant Proposal/Budget, as approved by funder
A list of how FamCare committed to each funder that they would spend grant money.

1. VOCA
   a. Salary
      i. 55% of 2 program specialists
      ii. 15% of Executive Director
      iii. 15% of Administrative Assistant
   b. Fringe – associated fringe based on salary
   c. Facilities – total costs less thrift store allocation based on percent of staff being paid by this grant
   d. Utilities – total costs less thrift store allocation based on percent of staff being paid by this grant.
   e. Travel - $5,000 for direct client services. Grant will only pay $0.43 per mile.
   f. Supplies - $500
   g. Other direct operating - $934

2. HHSC
   a. Salary
      i. 35% of 2 program specialists
      ii. 15% of Executive Director
      iii. 15% of Administrative Assistant
   b. Fringe – associated fringe based on salary
   c. Facilities – total costs less thrift store allocation based on percent of staff being paid by this grant.
   d. Utilities – total costs less thrift store allocation based on percent of staff being paid by this grant.
   e. Travel - $1,000 for direct client services. Grant will only pay $0.41 per mile.
   f. Supplies - $500
   g. Other direct operating - $2,433
3. Sexual Assault
   a. Salary
      i. 10% of 2 program specialists
      ii. 10% of Executive Director
      iii. 10% of Administrative Assistant
   b. Fringe – associated fringe based on salary
   c. Facilities – total cost less thrift store allocation based on percent of staff being paid by this grant.
   d. Utilities – total costs less thrift store allocation based on percent of staff being paid by this grant
   e. Travel - $500 for direct client services
   f. Supplies - $500
   g. Other direct operating - $5,455
4. The XYZ Foundation
   a. Salary - $15,000 – Executive Director
   b. Fringe - $3,195 – Executive Director
   c. Other direct operating - $16,805

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Income Statement with Cash Flow Summary

	JAN Actual	FEB Actual	MAR Actual	APR Actual	MAY Actual	JUN Actual	JUL Actual	JUL Proj	AUG Proj	SEP Proj	OCT Proj	NOV Proj	DEC Proj	PROJ Year-End 2015	2015 Total Budget	Proj Year-End Variance	YTD Actual
Revenues																	
Individual	-	1,500	4,623		252	158	432	675	200	200	200	200	200	8,640	8,000	640	7,640
Corporate	12,000	-	-	-	-	-	5,000	-	1,250	-	-	5,000	6,750	30,000	30,000	0	17,000
Special Events (BBQ)	-	-	-	-	-	20,678	-	-	-	-	-	-	-	20,678	18,000	2,678	20,678
Grants - Government	11,455	12,221	11,789	12,781	13,462	11,357	12,083	12,083	12,083	12,083	12,083	12,083	12,083	145,565	145,000	565	85,148
Grants - Foundation	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	35,000	35,000	0	20,417
Thrift Store	462	513	237	237	225	334	296	1,500	4,000	500	500	2,000	3,000	13,567	15,000	-1,433	3,567
Misc. Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Total Revenues	26,834	17,151	19,566	16,175	37,549	20,002	17,175	17,175	20,450	15,700	15,700	22,200	24,950	253,450	251,000	2,450	154,450
Expenses																	
Salary	12,333	12,333	12,333	12,333	12,333	12,333	12,333	12,675	12,675	12,675		12,675	12,675	150,048	148,000	2,048	86,673
Fringe Benefits	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,700	2,700	2,700	700	2,700	29,007	31,522	-2,515	15,508
Contract Services	-	-	-	200	-	-	-	-	-	-	-	-	-	200	200	200	200
Rent/Space Costs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,200	1,200	12,400	12,000	400	7,000
Janitorial	200	200	245	200	200	200	210	210	210	210	210	210	210	2,505	2,400	105	1,455
Telecommunications	380	410	425	365	422	367	372	372	400	400	400	400	400	4,741	4,800	-59	2,741
Electricity	100	100	120	140	300	400	600	600	600	500	300	240	400	3,600	3,600	0	1,760
Supplies	1,121	324	472	414	750	322	400	400	400	400	400	300	300	5,603	6,000	-397	3,803
Postage	953	212	871	371	264	112	200	200	200	200	200	200	200	3,983	4,200	-217	2,983
Printing	2,650	-	350	-	-	2,125	-	-	500	-	750	-	280	6,655	4,800	1,855	5,125
Travel	1,271	1,345	1,424	1,396	457	445	833	833	833	833	833	833	833	11,336	10,000	1,336	7,171
Insurance	-	1,000	-	-	-	-	-	-	-	-	2,500	-	-	3,500	3,500	0	1,000
Food	-	-	-	-	-	2,215	-	-	-	-	-	-	250	2,465	2,300	165	2,215
Miscellaneous	24	137	62	119	-	78	-	-	-	-	-	-	-	420	10,826	-10,406	420
Total Expenses	22,576	19,605	19,846	19,082	18,185	19,926	18,834	18,834	19,518	18,918	21,968	18,758	19,248	236,463	243,948	-7,485	138,054
Surplus/(Deficit)	-4,258	-2,454	-280	2,907	-19,364	76	-1,659	-1,659	932	-3,218	-6,288	3,442	5,702	16,987	7,052	9,935	16,396
Projected Cash Balance								33,251	34,183	30,965	24,697	28,139	33,842				

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Balance Sheet

As of 12/31/15 (Unaudited)

Assets

Cash Assets

Operating Account	23,251	
Savings Account	10,000	
Total Cash Assets		**$33,251**

Other Current Assets

Grants Receivable	6,323	
Pledges Receivable	2,758	
Total Other Current Assets		**$9,081**

Fixed Assets

Computers & Software	18,003	
Furniture & Equipment	25,537	
less Accumulated Depreciation	(26,320)	
Total Fixed Assets		**$17,220**

Liabilities

Accounts Payable	1,574
Payroll Liabilities	756
Line of Credit	2,000
Employee Withholding	662
Total Liabilities	**$4,992**

Net Assets

Net Assets	36,506
Net Gain/Loss for Current Year	18,055
Total Net Assets	**$54,561**
Total Liabilities & Net Assets	**$59,552**

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Cost Allocation Plan

Organization Name												
Cost Allocation Plan	Ann. Amount	Gen. Fund	%	Grant A	%	Grant B	%	Grant C	%	Total	%	Allocation Method
Total Agency Budget												
Fiscal Year: 9/1/2014-8/31/2015												
Payroll-Salaries:												
Executive Director												Time spent
Bookkeeper												Time spent
Advociate1												Time spent
Advociate2												Time spent
Advociate3												Time spent
Total Salaries												
Fringe Benefits:												
Executive Director												Time spent
Bookkeeper												Time spent
Advociate1												Time spent
Advociate2												Time spent
Advociate3												Time spent
Total Fringes												
Advertising:												
Misc. Advertising												Shared All
Bank:												
Check Printing/Bank fees												Shared All
CPA Service Fee Audit Review												Shared All
Client Expenses:												
Gasoline												Shared Pgms A & B
Medical												Shared Pgms A & B
Personal Items (Hygiene, Linens, Toys)												Shared Pgms A & B
Food												Shared Pgms A & B
Lodging												Shared Pgms A & B
Client Deposits, relocation prescriptions, rent & utilities												Shared Pgms A & B
Project/Program Supplies												Direct
Dues & Subscriptions												Direct
Fundraising Expenses												Unallow. Gen Funds
Gifts: flowers for deaths, weddings, etc.												Unallow. Gen Funds
Insurance:												
Fidelity Bond												Shared All

The Nuts and Bolts of Bookkeeping: A Toolkit

Sample: Cost Allocation Plan, continued

Office Liability & Property												Shared All
Office & Janiotiral Supplies												Shared All
Postage & Delivery												Direct Usage
Vehicle Expense center van Ins gas maintenance												Shared All
Rent												Sq. Footage occupied
Utilities and Maintenance												
Gas & Electricity												Sq. Footage occupied
ADT Security Alarm system fee												Sq. Footage occupied
Lawn & Maint.												Sq. Footage occupied
Office Supplies												Shared All
Cost Allocation Plan												
Contractual Counseling												Direct Prog. usage
Staff Education/Training Registration Fees												Direct
Software maintenance												Shared All
Telephone system												Shared All
Internet												Shared All
Training:												
Law Enforcement, Volunteers, Judicial project supplies, etc.												Direct
Travel												
Local Mileage												Direct
Meals/Per Diem												Direct
Travel (Mileage & Airfare)												Direct
Lodging												Direct
TOTAL												
Non Salary Expense Allocation Methods:												
Direct: cost identifiable to a particular program usage or purpose, then it will be directly charged to that program.												
Shared Programs - cost shared by two or more programs; allocation based on % each program expense divided by total of shared programs expense												
Shared All - cost shared by entire organization; allocation based on % each program expense divided by total agency expense												

The Nuts and Bolts of Bookkeeping: A Toolkit

Grant Guide

For more information on state, federal, and private grant opportunities look at the Department of State Health Services Grant Finding Resources

Categories	Health & Human Services Commission (HHSC) Family Violence Program (FVP) funding	Texas Department of Criminal Justice (TDCJ), Criminal Justice Assistance Division (CJAD) Battering Intervention and Prevention Programs (BIPPs): Services for Abusers	Governor's Office, Criminal Justice Division (CJD) Victims of Crime Act Grant (VOCA) *Note that VOCA and VAWA are applied through together under the General Victim Assistance - Direct Services Programs RFA	Governor's Office Criminal Justice Division (CJD) S.T.O.P. Violence Against Women Act (VAWA) *Note that VOCA and VAWA are applied through together under the General Victim Assistance - Direct Services Programs RFA	Texas Department of Housing & Community Affairs (TDHCA) Emergency Solutions Grants (ESG) Program	Office of the Attorney General (OAG) Other Victim Assistance Grant (OVAG)
Subcategories	Shelter Centers, Nonresidential Center and Special Projects	Battering Intervention and Prevention Programs: Services for Abusers	Victims of Crime Act (VOCA) Grant	S.T.O.P. Violence Against Women Act (VAWA)	Street Outreach, Emergency Shelter, Prevention, Rapid Re-Housing, Data Collections (HMIS) and Administration	General Victim Assistance and Community Outreach
Purpose	HHSC FVP provides funding for shelter and supportive services to victims of family violence by working with three types of local family violence centers and organizations: Shelter Centers Nonresidential Centers Special Nonresidential Center Projects HHSC Family Violence Program	Battering Intervention and Prevention Programs (BIPPs) consist of groups for family violence offenders, in which offenders are held accountable for past abusive behavior and taught the fundamentals of leading healthy, nonviolent relationships. BIPPs provide a designated criminal justice response to family violence that is an economical alternative to incarceration and provides an extension of supervision for family violence offenders. Texas Department of Criminal Justice's (TDCJ) Community Justice Assistance Division (CJAD) BIPP	State: Specific eligibility and budget rules applicable to various funding sources administered by CJD were repealed from the TAC in August 2007. However, state and federal grant guidelines can be found on the Officer of the Governor's eGrants website. Federal: Provide services that: (1) respond to the emotional and physical needs of crime victims; (2) assist victims in stabilizing their lives after victimization; (3) assist victims to understand and participate in the criminal justice system; and (4) provide victims with safety and security. 42 U.S.C. 10603(a)	State: Specific eligibility and budget rules applicable to various funding sources administered by CJD were repealed from the TAC in August 2007. However, state and federal grant guidelines can be found on the Officer of the Governor's eGrants website. Federal: Develop and implement coordinated, multidisciplinary approaches to addressing domestic violence, sexual assault and stalking crimes committed against women. 42 U.S.C. 10603(a)	State: The ESG program, formerly ESGP, is a competitive grant which provides funds to nonprofit organizations and units of general government for activities relating to shelter and services for homeless persons and the prevention of homelessness. TDHCA Federal: The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act) amended the Mc-Kinney-Vento Homeless Assistance Act, including major revisions to the Emergency Shelter Grants program, now the Emergency Solutions Grants (ESG) program. US Department of Housing and Urban Development	The purpose of the OVAG Program is to provide funds to programs that address the unmet needs of victims by maintaining or increasing their access to quality services.
Funding Source	Federal funding is authorized for projects through the Family Violence Prevention and Services Act (FVPSA) and Temporary Assistance to Needy Families (TANF) to Title XX. FVPSA funds are distributed in Texas by the Health and Human Services Commission.	State funds distributed through the Texas Department of Criminal Justice's Community Justice Assistance Division.	Federal funding is authorized for projects under the Victims of Crime Act of 1984 (VOCA) as amended, 42 U.S.C. 10601. VOCA funds are distributed from the Criminal Justice Division of the Governor's Office with local Councils of Government (COG) assisting the Governor's office in prioritization of grants. CFDA 16.575	Federal funding is authorized for projects under the Violence Against Women Act of 2005 (VAWA 2005) 42 U.S.C. 3796gg through 3796gg-5 as amended. VAWA funds are distributed from the Criminal Justice Division of the Governor's Office with local Councils of Government (COG) assisting the Governor's office in prioritization of grants. CFDA 16.588	Federal funding is authorized by the U.S. Department of Housing and Urban Development (HUD) and distributed through the Texas Department of Housing and Community Affairs Emergency Solutions Grants (ESG).	The Texas Legislature directs the Office of the Attorney General to use a certain amount of funds from the Texas Compensation to Victims of Crime fund for the OVAG program.
Grant Year	September 1- August 31	September 1- August 31	Current Project Period: Grant-funded projects may begin between October 1, 2016 and December 1, 2016. Continuation projects	Current Project Period: Grant-funded projects may begin between October 1, 2016 and December 1, 2016. Continuation projects	September 1- August 31	September 1 - August 31

			may not exceed a 24-month period. First year projects may not exceed a 12-month period.	may not exceed a 24-month period. First year projects may not exceed a 12-month period.		
Eligibility	The Human Resources Code, Chapter 51 details eligibility criteria for shelter centers, non-residential centers, and special projects. The Human Resources Code, Chapter 51	Battering Intervention and Prevention Project (BIPP) programs' are required by CJAD to submit applications for funding on forms, and in a manner, prescribed by CJAD. Prior to each legislative biennium, CJAD will inform current contractors of the funding application process and timeline. Upon request, TCFV will assist qualified applicants, whether currently CJAD funded or not, in preparing their applications.	Eligible applicants include: state agencies, units of local government, hospital districts, nonprofit corporations with an active charter number from the Texas Secretary of State, Native American tribes, Universities, Colleges, community supervision and corrections departments, councils of governments that offer direct services to victims of crime, hospital and emergency medical facilities that offer crisis counseling, support groups, and/or other types of victims services, and faith-based organizations, tax-exempt nonprofits, that provide direct services to victims of crime. Demonstrate a record of providing effective services to crime victims. If the applicant cannot yet demonstrate a record of providing effective services, the applicant must demonstrate that at least 25 percent of its financial support comes from non-federal sources. There are	Eligible applicants include: state agencies, units of local government, hospital districts, nonprofit corporations with an active charter number from the Texas Secretary of State, Native American tribes, Universities, Colleges, community supervision and corrections departments, councils of governments that offer direct services to victims of crime, hospital and emergency medical facilities that offer crisis counseling, support groups, and/or other types of victims services, and faith-based organizations, tax-exempt nonprofits, that provide direct services to victims of crime. Meet at least one of the eligible purpose areas established by the federal Violence Against Women Office and codified at 28 C.F.R. §90.	Eligible applicants include: units of general purpose local governments and private nonprofit organizations with a 501(c)(3) tax-exempt status. All recipients must consult with local Continuums of Care within the jurisdiction in determining how to allocate ESG funds.	Eligible applicants include: local units of government, 501(c)3 nonprofits, or state agencies, including universities. There are also considerations for statewide projects that would provide victim-related services or assistance in six or more Council of Government (COG) regions.
			several additional requirements. Office for Victims of Crime Office of the Governor - Criminal Justice Division	US Department of Justice - Office on Violence Against Women Office of the Governor - Criminal Justice Division		
Grant Awards	Varies year to year according to State and Federal Budget.	Varies year to year according to State and Federal Budget.	Varies year to year according to State and Federal Budget.	Varies year to year according to State and Federal Budget.	Varies depending on area.	Awarded on competitive basis and dependent on appropriations to the Attorney General's Office. Total amount awarded is determined by the Legislature. The minimum allowable request is $20,000 per fiscal year, maximum is $42,000 per fiscal year. Statewide projects can request up to $200,000 per fiscal year.
How to Apply	Contact HHSC's FVP to determine if they are currently accepting applications for the three types of funding. If open, the announcement will be posted on the Electronic State Business Daily (ESBD) section of the Comptroller's website.	Contact Texas Council on Family Violence for more information.	Contact your area's Regional Council of Government (COGs) - CJD conveys its goals and priorities to regional COGs and local service providers through the request for application (RFA) solicitations and during the annual COG training. Each of the COG's holds its own grant development workshops and facilitates application prioritization. Applications can be found and submitted through the www.egrants.gov.texas.gov website.	Contact your area's Regional Council of Government (COGs) - CJD conveys its goals and priorities to regional COGs and local service providers through the request for application (RFA) solicitations and during the annual COG training. Each of the COG's holds its own grant development workshops and facilitates application prioritization. Applications can be found and submitted through the www.egrants.gov.texas.gov website.	TDHCA releases a Notice and Funding Availability (NOFA) every year with guidelines to apply for ESG funds. The NOFA is usually released in January of every year. Interested parties can join TDHCA's email list to be alerted to announcements.	The Texas Office of the Attorney General (OAG) will post the Application Kit on their website. If open, requests for application can be found and submitted through the Texas eGrants website. These are typically released and due in the spring of odd numbered years.

Match	HHSC has a community match percentage requirement. The match percentage depends on how much state and federal money is allocated each year. HHSC can never provide for more than 75% of the cost of the FV center program and after a six year period not more than 50%. See HRC 51.003 for more information	No match requirements	Grantees may be required to provide matching funds of at least 20% of total project expenditures through either cash or in-kind contributions or a combination of both. Please note: VOCA projects that are awarded with match above the required amount will be held to the higher amount.	Grantees may be required to provide matching funds of at least 20% of total project expenditures through either cash or in-kind contributions or a combination of both.	Metropolitan city and urban county recipients must match grant funds with an equal amount of funds from cash or the following in-kind sources: new staff or volunteer time, the donation of materials and buildings, or the value of any lease on a building. States are exempt from matching the first $100,000 of their awards, but must provide the benefits of that exemption to their recipient local governments and nonprofit organizations that are least capable of providing the State with matching amounts.	No match requirements.
Funding Requirements	HHSC Family Violence Program Funds can only be used by organizations that meet state guidelines under the Human Resources Code, Chapter 51 and that meet Texas Administrative Code Chapter 379 rules.	The documentation process for implementing the Guidelines for CJAD funding as described in the Handbook will be made available each biennium. TCFV and CJAD will provide technical assistance to help programs comply with the Battering Intervention and Prevention Project Guidelines. Programs applying for CJAD funds should refer to Texas Code of Criminal Procedure Article 42.141 for the statutory guidelines of the Battering Intervention and Prevention Project.	Projects are required to comply with the requirements of the Victims of Crime Act of 1984 (VOCA), as amended, 42 U.S.C. 10601, et seq. Eligible activities include: Crisis Services, Forensic Interviews, Legal Advocacy, Multi-Disciplinary Teams and Case Coordination, Peer Support Groups, Professional Therapy and Counseling, Protective Order Assistance, Shelter, and Victim – Offender Meetings Office of the Governor, Greg Abbot - Criminal Justice Division For more information, see the 2016 Office of the Governor's Guide to Grants.	Projects are required to comply with 28 C.F.R. §90. Eligible activities include: Court Service Improvements (Including Specialized Courts Except Drug Courts), Crisis Services, Forensic Interviews, Investigations, Legal Advocacy, Multi-Disciplinary Teams and Case Coordination, Peer Support Groups, Training and Technology, Professional Therapy and Counseling, Prosecution, Protective Order Assistance, Public Presentations, Shelter, and Victim-Offender Meetings Office of the Governor, Greg Abbot - Criminal Justice Division For more information, see the 2016 Office of the Governor's Guide to Grants.	Eligible activities include: Engage homeless individuals and families living on the street; Improve the number and quality of emergency shelters for homeless individuals and families; Help operate these shelters; Provide essential services to shelter residents; Rapidly re-house homeless individuals and families; and Prevent families and individuals from becoming homeless.	Projects are required to comply with Texas Administrative Code Chapter 60 guidelines. Eligible activities include: Direct victim services; Providing outreach or community education; Connecting crime victims to services; Training professionals and volunteers; or Other support for victim-related services or assistance as determined by the OAG. Statewide projects (covering 6 or more COG regions) may use funds for public awareness campaigns.
Reporting	The Family Violence Program uses the HHSC Portal and FV Net to collect de-identified data from each programs' own database or a HHSC-created excel spreadsheet through CSV files monthly. HHSC also requires quarterly financial reports and year-end reporting.	A monthly report is required to be submitted to TCFV (MAR), All BIPP programs that receive CJAD funding will undergo periodic fiscal and programmatic monitoring by TCFV and/or CJAD.	Quarterly financial reports are required for review; organizations are required to submit quarterly statistical reports to Texas A&M's Public Policy Research Institute (PPRI) at https://oog.tamu.edu/.	Quarterly financial reports are required for review; organizations are required to submit quarterly statistical reports to Texas A&M's Public Policy Research Institute (PPRI) at https://oog.tamu.edu/.	Annual performance (CAPER) reports are due 90 days after the close of the recipient's consolidated program year. Recipients use the Integrated Disbursement and Information System (IDIS) to manage program funds. ESG subrecipients must submit a Monthly Performance Report (MPR) and a Monthly Expenditure Report (MER) through the Department's electronic Community Affairs Contract System.	Quarterly reports on cumulative activities are to be submitted electronically.

For more information on state and federal grant opportunities: www.dshs.state.tx.us/fic/default.shtm and www.grants.gov

1 https://hhs.texas.gov/services/safety/protective-services/family-violence-program
2 https://hhs.texas.gov/services/safety/protective-services/family-violence-program
3 https://hhs.texas.gov/services/safety/protective-services/family-violence-program
4 https://hhs.texas.gov/services/safety/protective-services/family-violence-program
5 https://egrants.gov.texas.gov
6 https://www.hudexchange.info/emergency-shelter-grants/
7 http://www.statutes.legis.state.tx.us/Docs/HR/pdf/HR.51.pdf
8 http://https://hhs.texas.gov/services/safety/protective-services/family-violence-program
9 http://www.tdcj.state.tx.us/divisions/vs/index.html
10 https://gov.texas.gov/organization/cjd
11 http://www.justice.gov/ovw
12 https://www.tdhca.state.tx.us/home-division/esgp/index.htm
13 https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=1&pt=15&ch=379