Accounting for Not-For-Profit Organizations©

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The Texas Equal Access to Justice Foundation
September 2000

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Introduction

All organizations need to be able to track how well they are doing financially. However, many nonprofit organizations have very special accounting needs. Based on these particular needs, this manual is designed to give you an overview of the basics of accounting system, software types available, internal controls and cost allocations.

Nonprofit organizations have more requirements to follow and usually fewer resources to devote to tracking all their activities. All of this makes accounting for nonprofit particularly challenging. Not only do you have to need to track the normal operations of your organization, just as any business would, but you also have to follow specialized reporting to be able to comply with grantor requirements.

Accounting Basics

<u>Purposes of financial reporting</u> - who needs the information and what types of information do they need.

Who uses the information?

Accounting records are needed for a variety of different purposes. Most of these reasons are to satisfy external users of the information. The <u>grantors</u> need financial information to monitor the grants. The <u>IRS</u> needs information on the tax return. <u>Contributors</u> need information to determine the strength and needs of the organization. The <u>board</u> needs information to fulfill their fiduciary responsibilities. And finally, the <u>management</u> of the organization needs information to manage the activities of the nonprofit.

Types of information needed

As a result of the differing uses of the financial information, the organization needs to identify the types of data needed. This includes being able to track income and expense by program and type and to track the use of restricted revenues as well as the organization's ability to carry out the financial objectives.

Authority for Financial Statement Format

The AICPA (American Institute of Certified Public Accountants) sets the standards for generally accepted accounting procedures, known as GAAP. There are specific standards for nonprofit organizations. Many of the reporting requirements have been changing in the last few years.

Basic Financial Statements

Basic financial statements should provide a comprehensive picture of the financial status of the organization. At a minimum, these include a balance sheet and an income statement. Financial statements may also include a cash flow statement; reports comparing data to budgeted amounts or prior periods and notes to financial statements.

Balance Sheet

The Balance Sheet is a statement of the financial position of the organization. You could think of it as a "snap shot" of the entity. It is as of a specific date (as of December 31, 1999) and reflects the assets, liabilities and equity at that single moment in time. The balance sheet is also called a Statement of Financial Position. The items included on the balance sheet are:

Assets	What you own
Liabilities	What you owe
Equity (called Net Assets)	What is left over

Assets include cash, accounts receivable, grants receivable, fixed assets, such as equipment and buildings, and any other assets of the organization. Liabilities include payroll taxes payable, accounts payable, grant advances, and notes payable. Net assets can be thought of as the net of the assets less the liabilities. Another way to think of net assets is as the accumulation of all the net income since the beginning of the organization.

Statement of Activity or Income Statement

While the balance sheet shows a point in time, the Income statement is for a range of time (for the year ended December 31, 1999). The income statement reflects the income and expense for the time period and shows the difference as the "change in net assets" for the period.

Diverse practices are acceptable for the format of this statement, provided that major sources and amounts of support, revenue and expenses are provided. You should also show the net income.

Income	Revenues recognized
- Expense	Expenses recognized
Change in net assets	Net income for the period

Statement of Cash Flows

This statement is usually not in the basic monthly financial statements but it is included the year-end audit report. This shows what changed cash other than the net income for the period. It reflects changes in receivables and payables as well as purchases of assets and changes in debt for the organization.

Notes to Financial Statements - Footnotes

The notes to financial statements are explanations of the some the basic assumptions used in developing the financial statements. The notes to financial statements are also called footnotes and are included in the annual audit report. When possible, information in the financial statements should be cross-referenced to the footnotes.

They include the following types of information.

The content of footnotes will vary greatly due to the nature of activities of a particular organization - Several common ones are listed below:

Summary of Significant Accounting Policies – Summarizes the basic accounting policies of the organization, usually discloses tax exempt status, basis of accounting, accounting policies for such things as depreciation, carrying value of investments, nature of restricted funds.

Detailed analysis of fixed assets – Shows the total fixed assets and accumulated depreciation as well as the method of depreciation.

Details related to long term debt – States the nature of the debt and includes the terms of repayment.

Detail related to lease obligations – Shows the length of any leases as well as the lease obligations for the next 5 years.

Detail related to pension plans – States the type of pension or deferred compensation plan and the amounts contributed to the plan by the organization.

Basis of Accounting

One of the basic concepts involves the basis of accounting used by an organization. This determines the timing of the recognition of financial transactions. The method that is accepted under GAAP (generally accepted accounting principles) is the **accrual** method of accounting. Accrual accounting is an attempt to match the revenues with the expenses that it took to generate that revenue. As a result, revenue is recognized when earned and expenses are recognized when incurred. In a nonprofit organization, this usually means that income is recorded when the services are provided (and you can bill the grantor for them) and expenses are recorded when the obligation occurs.

Another common basis of accounting is the **modified cash** method. Here, you generally record income when received and expenses when paid. Many nonprofits use this method for the internal monthly reports and use the accrual method on year-end audited financial statements. The danger in using this method is when the organization has substantial unpaid bills or an uneven revenue cycle, since activities are only recorded when the cash moves. This is called modified cash because there are some exceptions to the premise that you record cash transactions. For example, payroll taxes are recorded when they are deducted from paychecks, notes payable are shown as liabilities and fixed assets as assets. However, you do not show grants receivable or accounts payable.

If your organization records grant revenues when received, you are using this method. You should also inform your board of unpaid bills, grant revenues earned but not received and any periodic expenses that may be upcoming. For example, one of our clients used the modified cash method and had all of its insurance payments due in the month of February. These totaled $24,000. All year long the board had to be reminded that this expense was coming and during February, the staff had to explain the large loss caused by this large payment.

The last basis of accounting is the **true cash** method. In this method, the only items on the balance sheet are cash and net assets. The income statement shows all dollars in and all dollars out. Payments for the purchase of assets or the repayment of debt are shown on the income statement.

Many organizations go through an evolution in their accounting methods. They start with the "check book" method of just tracking their cash balance. This is very similar to the true cash basis of accounting. They then begin using an accounting system and usually use the modified cash method. As they become more complex, it becomes easier to track all the accounting information through the accounting system and evolve to the accrual method.

One of the factors in the evolution of methods is the use of computers. In the early 1980's, computers were very expensive. A computer with very small storage and memory cost over $20,000. Now you can buy a good quality computer and printer for less than $2,000. With the ease of use, more people now have the capacity to use the more cumbersome, but more complete accrual method.

Basis of Accounting Exhibit

Income Statement

	Accrual Basis	Modified Cash Basis	Cash Basis
REVENUES			
Fees and Grants	32,000	20,000	20,000
Interest Income	125	125	125
Miscellaneous Income	500	500	500
Total Revenue	32,625	20,625	20,625
EXPENSES			
Salaries	5,000	5,000	5,000
Payroll Taxes	500	500	-
Benefits	450	450	450
Insurance	2,500	-	-
Office Supplies	100	100	100
Depreciation	10,000	10,000	-
Interest on Note Payable	350	350	350
Building Note Payments	-	-	9,525
Total Expenses	18,900	16,400	15,425
NET INCOME	13,725	4,225	5,200

Balance Sheet

	Accrual Basis	Modified Cash Basis	Cash Basis
ASSETS			
Cash	11,000	11,000	11,000
Accounts Receivable	12,000	-	-
Total Current Assets	23,000	11,000	11,000
Fixed Assets-Building	80,000	80,000	-
Accumulated Depreciation	(10,000)	(10,000)	-
Net Fixed Assets	70,000	70,000	-
TOTAL ASSETS	93,000	81,000	11,000
LIABILITIES AND NET ASSETS			
Accounts Payable	2,500	-	-
Payroll Taxes Payable	500	500	-
Note Payable	70,475	70,475	-
Total Liabilities	73,475	70,975	-
Beginning Net Assets	5,800	5,800	5,800
Current Earnings	13,725	4,225	5,200
Total Net Assets	19,525	10,025	11,000
TOTAL LIABILITIES AND NET ASSETS	93,000	81,000	11,000

Fund Accounting

A method designed to reflect restrictions and designations of funds within an organization. Each fund is a self-balancing set of records that records its own assets, liabilities, fund equity, income and expenses. Used primarily to segregate restricted from unrestricted resources.

Types of funds

Restricted Funds - Restrictions are imposed **externally** by the donor of the funds. This includes most governmental grants for particular services. When a donor specifies the budget for the funds and requires repayment for any funds not expended in accordance with the restrictions applied. Funds cannot be used for any other purpose without the permission of the donor and cannot be used for general purposes without the donor's consent. Cannot be used for general purposes. Under FASB 117, they are classified as **Temporarily Restricted** (can be used someday for stated purpose) or **Permanently Restricted** (principal can never be spent).

Designated Funds - Internal identification of use of funds. Typically, the board of an organization will designate funds for a particular purpose, such as a contingency fund. However, the board can also "undesignate" the funds and put them back as available for general use. Therefore this is a sub-category of **unrestricted funds.**

Unrestricted Funds - Those funds that can be used for any purpose.

Each type of fund may be made up of several individual funds.

While detail fund accounting is important to be able to track restricted activities, many organizations find that the combined information is most useful to outside readers of the financial statements.

Fund Accounting versus Program Accounting

Many organizations have a need to track their activities separately. Based on the software program you are using, you may be using fund accounting or program accounting. There are several differences in the two methods of tracking the activities.

In **Fund Accounting**, each separate activity is classified as a fund that tracks assets, liabilities, income and expense separately for that activity. Each fund can stand completely alone as a comprehensive financial statement. Each fund is "in balance," meaning that when you pay for an expense, you use the cash in that fund and when you receive revenue, the dollars are tracked into that fund's bank account.

Fund A	**Fund B**	**Fund C**	**Fund C**
Assets	Assets	Assets	Assets
Liabilities	Liabilities	Liabilities	Liabilities
Income	Income	Income	Income
Expense	Expense	Expense	Expense

Program Accounting handles the information differently. Each activity has a separate income statement for tracking the activity. However, the assets and liabilities on the balance sheet are all combined. In this method, you can easily track the income and expense, but it is more difficult to see how much cash you have from each activity.

<table>
<tr><th>Fund A</th><th>Fund B</th><th>Fund C</th><th>Fund C</th></tr>
<tr><td colspan="4">Assets</td></tr>
<tr><td colspan="4">Liabilities</td></tr>
<tr><td>Income</td><td>Income</td><td>Income</td><td>Income</td></tr>
<tr><td>Expense</td><td>Expense</td><td>Expense</td><td>Expense</td></tr>
</table>

Automated Accounting Systems

With the cost of computers and computer accounting software becoming so reasonable, almost all-nonprofit organizations have computers within their organizations. The question then becomes "Which accounting system is right for my organization?" Several factors come into play when trying to make that decision.

Many organizations use either a true fund accounting program or a modified 'program accounting' method. In a fund accounting program, each fund has a self-balanced accounting trail that includes assets, liabilities, equity, income and expense for that fund separate from all other funds. A complete and balanced financial statement can be prepared for each fund. In program accounting, assets, liabilities and equity are tracked for the entity as a whole, while each program tracks its own income and expense.

Examples of the fund accounting programs include MIP, Blackbaud, American Fundware and Executive Data Systems. Examples of program accounting include QuickBooks, Peachtree and many other commercial accounting programs.

Fund accounting software has several advantages. These include the ability to allocate transactions among several different programs, the ability to keep finds in balance and track assets and liabilities by fund, the ability to handle different year-ends and the ability to reorganize data to meet differing needs of the organization. The primary disadvantage is that because of the increased complexity of the program, the cost is higher and the accounting expertise needed to handle the processing is increased.

Comparison to Budget and/or Prior Year

Your accounting system should be able to provide you reports that compare your current activity to budgeted amounts and to the prior year.

Tracking actual results compared to the budget is very helpful for ongoing analysis of data. It is helpful for a computer program to provide this analysis on a monthly basis. Again, your basis of accounting must be considered when analyzing these comparisons. To be helpful, you need to update budget information and/or explain major differences between projected activities and actual activities.

Financial data without comparisons is very hard to evaluate. Comparison to prior year information is very helpful if operations are comparable. Comparison to budget gives the best tool for evaluation.

Reports from the Accounting System

To be most effective, the accounting system should be able to produce financial reports to meet a variety of users needs. The needs of the program managers, management and the board are different and should be at a different level of detail.

The first and most detailed level of reports are those used by the **program manager level.** Someone who knows what happened in that program during the month should review these reports. The report should be detailed enough to let that person see the individual transactions and determine whether they are in the right spot.

The program manager should review the detailed general ledger. This is a report that shows each account and its activity. Since you have several programs, the general ledger should be printed by program or fund and each manager would review those activities over which they have control. This concept also ties in to the budget process by having the manager see the actual expenses in their program and allowing them to monitor their activities.

The second level is for the **management level**. These reports should provide an overview of the entire organization. This would include a balance sheet and income statement for each activity. This obviously would show less detail that the general ledger, but would show each activity. The management team or finance committee should be able to identify problem areas of the organization.

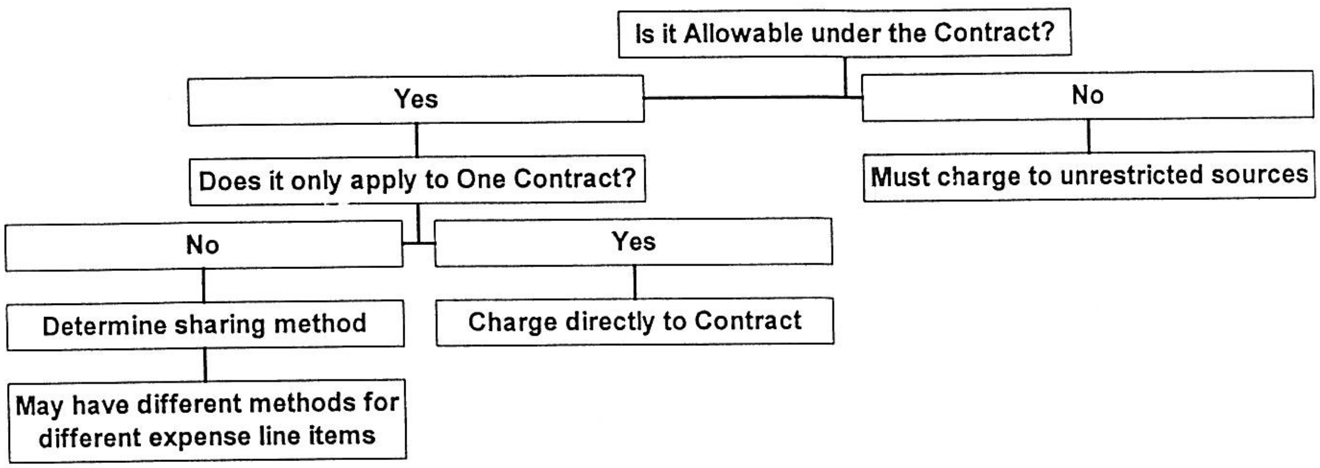
The final level is for the **board of directors**. The board's role is that of overview and fiduciary responsibility. These reports should show, on just a few pages, an overview of the organization's financial position and activities. Where the management level shows each and every activity, the board report may need to combine activities into meaningful groupings to condense the information.

All of these reports should be generated directly from the accounting system, rather than on a spreadsheet. This provides a challenge for the organization to identify and use the most appropriate accounting program. If the accounting program cannot provide all these reports and you use a spreadsheet program, you have several potential problems. You may have identified changes between the time that you transferred data to the spreadsheet and the board meeting and need to make changes in one place but not in the other. Additionally, you have to make sure that the spreadsheet is in balance and matches the accounting system.

Grant Reporting - Allowable Costs

While Grantors have varying rules concerning the specific changes allowed under a grant, all grants follow the same basic guidelines in determining which costs can be reimbursed. Each expense item must pass through a flow chart or decision tree to be reimbursed under the grant.

Expense Item



Basis for allowable costs

For a cost to be allowable, it must be necessary and reasonable for the proper and efficient operation of the program and be able to be allocated to the federal award under the provisions of the applicable guidelines. It must be reasonable in a prudent person's mind. Additionally, the cost should reflect market price as demonstrated by bidding practices for larger items and reflect sound business practices.

Joint costs that benefit more than one cost objective require cost allocation plan that shares the costs under a reasonable basis. All costs must be authorized in the grant or contract award as well as conform to federal laws, cost principles or other governing limitations. Costs must be given consistent treatment to all activities of the organization and comply with generally accepted accounting procedures in a consistent manner.

Direct Costs

Those that can be identified specifically with a particular cost objective are called direct costs. These may be charged directly to cost objectives without further decision making required. Examples include: salaries, wages and related fringe benefits; materials consumed or expended; equipment and other approved capital expenditures; and services furnished specifically for the cost objective.

Indirect Costs or Shared Costs

These costs include costs incurred for common or joint purposes benefiting more than one cost objective. They cannot be readily directly assignable to the cost objective specifically benefited.

In other words, those costs remaining after all direct costs have been identified.

Examples of indirect costs: costs of operating and maintaining facilities; general and administrative expenses, such as salaries and expenses of executive officers, accounting staff.

Allocation of Indirect Costs

In determining the most appropriate method of allocating costs, several different methods are available. Most rely on identifying a relationship between known information and using that as a basis for allocating the shared expenses. For example, you could use direct salaries as a base to determine how to allocate other items.

Simplified Allocation Method

Under this method, the organization develops one rate for the entire organization and uses the same ratio to share all indirect or allocated costs.

To calculate this method you:

a) Separate the organization's total costs for the period into **direct** and **indirect** costs.

b) Separate the indirect costs into allowable and unallowable costs.

c) Divide the total allowable indirect cost by an equitable cost base.

Example	**Program A**	**Program B**	**General & Administrative**	**Total**
Direct Salaries	50,000	40,000	10,000	100,000
Ratio	50%	40%	20%	100%

Here all indirect costs would be allocated 50% to Program A, 40% to Program B and 10% to General & Administrative, using the Direct Salary Ratio.

Multiple Allocation Base Method

This method is used in more complex situations and is more common. Indirect cost rates are ratios, expressed as a percentage for each group or component of costs. For each line item of your budget, you determine the most appropriate method to use in allocating those costs. For example, rent and other occupancy cost might be allocated on the square feet of space used by each program. Alternately, professional liability insurance would be allocated by number of professional staff in each program. When using these multiple methods, you often find no obvious method to split the costs. You can fall back to the ratio of direct costs as shown in the "Simplified Method" section.

Note that you are not using a ratio of funding support as the basis for allocation, but you are using a ratio of direct costs. These ratios will probably be quite similar and you may come to think of the ratio as "Percentage of Support", but you must use a cost basis.

When using multiple allocation bases, the following might be useful in determining the best allocation base for the type of costs to be allocated.

Examples of application of rates:

Activity	**Possible Allocation Base**
Accounting	Number of transactions processed
Office space	Square feet occupied
Personnel Administration	Number of employees

Indirect Cost Allocation Plan

Once you have determined how to allocate indirect costs:

This may need to be submitted in writing to your granting agency.

The plan includes documentation of elements used in developing the plan and a sample of the calculations.

Indirect Cost Rate

An Indirect Cost Rate is a different method of assigning indirect costs to grants and projects. In this method, you predict the relationship of direct and indirect costs. Then you use that percentage to charge a summarized "overhead" to the grants and projects. At the end of the period, you compare the predicted ratio to the actual ratio and make adjustments. A grantor's prior approval is required to be able to use this method.

The cost rate is determined by comparing direct and indirect costs. For example, if you had $100,000 of direct costs and $25,000 of indirect costs, the rate would be 25%. Of course, you can't precisely predict all costs for a future period, so you must have a method for estimating the costs during the year. These rate methods are as follows:

A predetermined rate can be arbitrary and may not reflect the actual costs of the organization, but is set forth in a grant document.

Fixed rate with carryforward allows for differences between the fixed rate and actual rates to be taken into account in the future years.

Provisional to final rate allows for an interim rate that is adjusted at year-end.

For all the methods, actual expenses are compared at year-end and adjustments to amounts reimbursed by the grantor may be made.

Cost Objective	**Direct Salaries & Wages**	
Grant 1	20,000	
Grant 2	15,000	
Grant 3	35,000	
Other Departments	30,000	
Total	100,000	
Indirect Cost	20,000	20%

(Indirect costs [$20,000] divided by Direct Salaries and Wages [$100,000])= Indirect cost rate of 20%)

Cost base may be total direct costs (excluding capital expenditures and other distorting items), direct salaries and wages, or any other base that results in an equitable allocation.

Example:

Total Direct Cost Base	$100,000
Of which Salaries are	60,000
Total Allowable Indirect Costs	20,000

You could establish a rate of 20%, based on the indirect costs divided by the total direct costs. This would mean that for every $1 of total direct costs, you could record $.20 of indirect costs.

Alternately, you could establish a rate of 33%, based on the indirect costs divided by the total salaries. This would mean that for every $1 of salaries, you could record $.33 of indirect costs.

Spread Indirect costs over programs

Cost Objective	**Direct Salaries and Wages**	**Indirect Costs**
Grant 1	20,000	4,000
Grant 2	15,000	3,000
Grant 3	35,000	7,000
Other Departments	30,000	6,000
Total	100,000	20,000

Internal Controls

Purpose of Internal Control

Internal controls are those steps in the accounting process that provide assurance that:

Information is accurate,

Information is complete,

Resources are used in accordance with organizational purpose.

We primarily think of internal controls as tools to protect cash receipts and disbursements, but other areas are also covered.

There are three basic times that controls can be put into play – before a transaction, during the transaction or its processing and after the transaction has been completed.

Remember that controls are not truly effective if they cannot be seen by someone reviewing the process. Therefore, each time a control is used, you must have some visible sign that it has occurred.

"Before" controls – These types of controls are useful, but have limited application in real life. They include:

Authorization of purchases and use of purchase orders

Procedures to record cash collections

Policies concerning roles and responsibilities

Personnel manuals that describe who can hire and how salary changes are made

"During" controls – These controls are the type of activities that occur as a transaction is being processed. They include:

Sign off on checks, invoices or reimbursement requests

Batch controls on data entry sheets

Running a tape of receipts and tying the total to the total deposited and entered in the computer

Comparing invoices to purchase orders

Checking math on invoices, time sheets

Signature on receiving reports

"After" controls – These controls, while after the fact and time of the transaction, provide assurance that procedures have been followed and allow an opportunity to find any discrepancies so that problems will not continue. These include:

Bank reconciliation – see below

Review of general ledger detail for coding errors

Review of financial statements for unusual items

Checklists for grantor billing, month end statement preparation, payroll tax processing

Board review of financial data

Bank Reconciliation as a control

A person other than the one who prepares the checks and makes the deposits should perform the bank reconciliation. This is the basis of the "after" controls. This person should also make sure that the bank returns the checks in the statement.

Steps to use bank reconciliation as control:

The person performing the bank reconciliation has several tasks to complete to assure that the financial information is complete and well documented. In addition to marking cleared and uncleared checks and deposits, you should:

Review timing of deposits – verify that amounts are deposited consistent with organizational procedures

Review of payees on the face of the checks – do any payee's names appear to be altered?

Review of signatures for a) correct signature and b) dual signatures if required.

Review of endorsements for unusual items

Verify that reconciled balance agrees to general ledger

Grantor billing controls

The cycle for preparing billing forms or cost reimbursement requests should rely on the information obtained from the basic accounting system of the organization.

This cycle should be to –

Print income statement for grant – current and grant period to date. It is important to review the grant to date information to be able to "catch" any adjustments made in the accounting information since the last billing.

Review for any changes needed. This review should be preformed by someone who has knowledge of the operations of the program, not just by someone in the accounting office. You should verify that the amounts charged to the program are correct and that all expected expenses are included.

Prepare billing for grant. The amount should agree to grant period to date (this allows for corrections posted to prior months to be reflected in cumulative billing)

Record revenue/grant receivable. Once the billing has been prepared, you can record the amount due from the grantor.

Personnel is always one of the largest cost items.

Personnel costs usually comprise 70% to 85% of the budget for a nonprofit organization. When government grants are a source of funds, you must support the amount of time spent on the grant with time sheets. This is true even if a staff member works only on one grant.

For those staff members who work only on one grant, this is a direct expense that would show coding directly to grant.

Other staff who split their time between projects will record the amount of time they spend on each project.

Administrative personnel will have the most trouble with time recording, since many of their activities benefit a variety of projects. The time that cannot be charged directly to a project will be allocated as any other indirect cost would be allocated.

Other controls for payroll processing

At end of quarter, you should verify that information in the payroll system and the general ledger reconcile to each other. Total wages on general ledger should agree or reconcile to wages on payroll tax forms and payroll tax expense should agree to taxes on form

Additionally, at the end of the year, total wages for the four quarters' payroll tax returns should reconcile to W-3 and payroll tax expense for the year should agree to amounts on W-3 and Texas Workforce Commission forms

Month End control

Accounting department should have a checklist of all steps for month-end close out of financial data. Month end processing should include a checklist that assures completion of basic financial tasks. These include: bank reconciliations, payroll tax deposits, review of outstanding accounts receivable (what is owed to you) and accounts payable (what you owe), preparation of grantor billing/reimbursement requests, and preparation of financial statements.

Additionally, files should be maintained to support each kind of transaction:

> **Cash receipts** – Collection log (perhaps copies of checks received) – Printout of deposits
>
> **Cash disbursements** – Check register printout – Invoices filed by vendor
>
> **Payroll** – Time sheets to support hours worked – Personnel files to support authorized salary levels and tax withholding information
>
> **Journal entries** – Entry log, including purpose of entry and back-up support
>
> **Grant billings/Receivables** – Usually kept by grantor – Preliminary income statement to support expenses on billings
>
> **Payroll taxes** – Printout of payroll data for the period – Record of payroll tax deposits – Worksheets or printouts to support quarterly payroll tax returns – Copies of payroll tax returns
>
> **Accounts payable** – Printout of aged accounts payable detail for end of month – Should agree to general ledger
>
> **Accounts or grants receivable** – Printout of accounts receivable details for end of month – Should agree to general ledger

Financial statements – Include balance sheet and income statement – Both summary and by program/grantor/location

Files for **general ledger detail** and **trial balance** for each month

Checklist should be reviewed by someone other than person preparing it – Executive Director or Treasurer, etc.

Computer back-up

Because we rely so heavily on the information stored and maintained in the computerized accounting system, maintenance of backup data is extremely important. On-going back-ups should be made each time re-entry of information would be a hardship. For example, if you have just spent several hours on a task, you should make a back up of that data. At the end of each day, you should have a daily back up routine that copies either the entire hard drive or at least those files which were updated during that day.

These back up tapes or disks should not be reused the very next day. You should have several disks that are rotated. This allows a "fail safe" of several different files that could be restored, should the system have a problem that is not readily apparent.

At the end of the week, create another back up and store it off-site. This is a protection for any damage to the facility. The off site location does not have to be overly secure. It could be in your home. However, avoid leaving the back up in your car, since heat will damage the tapes and disks.

At the end of the month, create a backup after books are complete. This tape should be saved and not used until the end of the next month. It should not be in the daily rotation of tapes. This provides a way to restore the records back to that point in time if needed.

At the end of year, you need 2 copies of your data, one on site and one off site. Also maintain backup of program files, so that you can restore both the data and the program. This is especially important when your software has been updated several times. If your computer hard disc were damaged, you would have to install the program and all the updates to duplicate the current operating program.

Also you need to test back up and restore functions for the tapes. Verify that files can be restored from back-up media.

This many seem like a huge amount of tapes to maintain and a large expense. However, it is the best and cheapest insurance you have against loss of all your accounting information.

Accounting Cycles

Accounting functions can be broken down into several accounting cycles. Each of these represents an area of the organization's activity.

Expenditure Cycle

The expenditure cycle include how you record your bills, prepare your payroll checks, pay your bills and account for assets purchased. The methods used to track all of these activities varies, but all include a method of paying bills and tracking payroll.

Accounts Payable Processing Guide

Each organization has its own unique situation, but many of the basic steps in processing accounts payable and checks are very similar. You will need a process of gathering the bills to enter or to be paid, obtaining approval for the bill amounts and correct coding for the expenses, entry into the accounting software program, processing the checks within the system, obtaining appropriate signatures and filing the documentation.

Below is a sample, however you should use your unique steps to fill in the procedures.

1) Invoices received in the mail or obtained at the point of purchase should be forwarded to the bookkeeper for processing. The program manager should approve items purchased by the organization. The approved invoices should be stamped with the date received and kept in the stack-tray marked "Ready for Processing."

2) Not all purchases have invoices. Certain expenditures, such as travel advances, do not start with an invoice. In this case, a Check Request Form should be used and approved by the program manager.

3) At least once a week, the bookkeeper enters the approved invoices and check requests into the accounting system. The bookkeeper reviews each invoice for correct totals and enters the appropriate accounting codes as the invoices are logged into the accounts payable system. The account coding should include both the general ledger account and the program code for the purchase. The invoices are marked "Entered" and placed in a holding file.

4) Some invoices are entirely for one program or function, while others need to be split among different activities. When these are clearly delineated, code directly to each program. In many cases, other expenses must be spread among programs using an allocation formula.

5) The bookkeeper prints a list of outstanding accounts payable as well as the cash balance for review by the executive director on the day before checks are cut. The executive director indicates which bills should be paid in that payment cycle. The executive director initials the printout to indicate that this process has been completed. This report is filed as a part of the internal control cycle for that month.

6) The bookkeeper processes the checks indicated and assembles the backup information and the check together for final approval and signature by the executive director. All blank check stock should be kept under lock and key to prevent any misuse of the checks. Any voided checks should be reported in the accounting system so that all

check numbers are tracked.

7) The check signer, usually the executive director, again approves the payment by reviewing the individual invoices while signing the check. The executive director should also look over the coding for appropriateness and verify that funds are available within the program budget.

8) To enhance the controls over expenditures, many organizations set a policy concerning dual signatures on checks. We recommend that the use of dual signatures be limited to large and/or unusual payments. Otherwise, the second signer may not be looking closely at the payment and its support. Each organization will have to define its own level to use for the dual signature process.

9) Once the checks are signed, the bookkeeper should distribute the checks as soon as possible to reduce the potential for loss. Whenever possible, the executive director should turn the checks over to someone outside the disbursement cycle, such as the receptionist, who sends the signed checks to the vendor. The supporting documentation along with the check copy should be returned to bookkeeping to be filed in the vendor files.

Payroll Processing Guide

Again, each organization is different, but the following may be helpful in drafting your own guide.

1) Each payroll cycle, all personnel complete a timesheet indicating the tasks for the cycle.

2) Timesheet will be turned into the accounting office 2 days before each payroll cycle for all hourly employees and at the close of the cycle for all salaried employees.

3) The bookkeeper verifies that all employees have turned in the timesheet and enters the time information into the computer, allocating the time among the programs and activities of the organization.

4) The computer system calculates the appropriate amounts of taxes for each paycheck. The check detail information is reviewed for reasonableness.

5) The bookkeeper prints the checks and presents them to the executive director for signatures.

6) Timesheets are filed by the month of work.

7) Payroll tax deposits are made monthly by the 15th of the month (larger organizations will need to deposit payroll taxes within three days of each payroll cycle). The bookkeeper calculates the amount to be deposited by printing out a liability report from the computer. The amount to be deposited should be the sum of the amounts withheld for income taxes and two times the Social Security and Medicare withheld for the prior month.

8) Quarterly, the payroll tax reports are completed. A report is printed from the computer that shows the total taxable wages, the FICA wages, and income tax withheld for each employee as well as the summary for the entire organization for the quarter. This information is used to prepare the 941 report and the Texas Workforce Commission

report.

9) The reports are prepared and they are presented, along with the summary, to the executive director for review and signature. A copy of the returns and the summary are filed in the payroll tax report folder.

Revenue Cycle

The revenue cycle includes how you record your cash receipts, how you track grant revenues, client fees, contributions and other sources of income. Generally, nonprofit organizations have different revenue cycles for different activities. For example, if you have client revenues from providing them services, you need to have a method of tracking, reconciling and depositing those funds. This process is probably not used for grant revenues that are billed and collected on a monthly basis.

Cash Receipts Processing Guide

Each organization has different sources for cash receipts. The following is a guide to be adapted for your own use.

1) For client visit income, the front desk maintains a prenumbered receipt book and log. The secretary prepares a receipt for each individual and also logs the check or cash. At the end of the day, the number of clients is reconciled with the number of receipts. The front desk person prepares the deposit slip in duplicate, with one copy attached to the funds and another maintained to compare to the validated slip returned from the bank.
2) Grant collections are received by mail. The mail is opened at the front desk and grant checks are listed on a separate collection log. Whenever possible, two people will open the mail.
3) All checks should be immediately endorsed using a deposit stamp that usually includes the organization's name, bank account number and "For deposit only."
4) The bookkeeper is given the collection summary each day and enters the collections into the accounting system.
5) All receipt information is entered into the accounting system. Using the summary sheets and deposit slips, cash receipts are entered by account code and program function. Amounts are reconciled between the front desk summaries and the actual deposit slips returned from the bank.
6) Any amounts received from donors need to be analyzed for donor restrictions. Contributions for specific purposes need to have special attention. You should complete a summary form that indicates the nature of the restriction on the donation and file any donor correspondence and the form for future reference.

Employees vs. Contract Labor

The determination of whether a worker is an employee or a contractor is important since the tax treatment is different for the two classes of workers. Employees are covered by the rules that require you to withhold federal income and taxes and Social Security taxes. Additionally, employees may be eligible to participate in benefits, such as health insurance, pension plans, vacation and sick pay. Contract workers are not eligible for any of these.

Both the Internal Revenue Service and the Texas Workforce Commission are interested in the correct treatment of workers, since both entities collect taxes on employees.

Definition of Employees – **Employee status is determined ultimately by "facts and circumstances," but the following list gives some guidance.**

Whether the "employer" has the right to **control** the manner and method of performance.

Whether the worker has a substantial **investment** in his own tools and equipment.

Whether the worker undertook substantial **cost** to perform the service.

Whether the worker had an opportunity for **profit** depending on his management skill.

The **location** of worker when performing service.

Whether the service rendered required **special training** and skill.

The **duration** of the relationship between the parties.

Whether the service performed is an **integral part** of the business or an ancillary portion.

Does the provider have a **risk of loss**?

The **relationship** that the parties believe they created.

Does the provider **offer the service to others**?

Can the provider **delegate** his duty to others?

If an employer has more control over the manner and method a worker uses to perform the job, that worker is more likely to be an employee. If the worker bears a greater risk of profit in doing the work, he is more likely a contractor. There are no absolutes in determining the status of a worker. The safest way to treat a worker is as an employee.

Penalties – **Problems in classification are usually first noted by Texas Workforce Commission, when disgruntled former worker tries to collect unemployment.**

IRS assesses penalties based on the employer and employee portions of FICA. You would be required to pay both portions and could attempt to recover the employee's portion from them. Additionally, IRS can assert a "willful failure" penalty, which is an amount up to a **100% penalty** for failure to collect and pay taxes.

The **Period of assessment** starts when return is filed, so an organization with no stated employees that does not file return has unlimited assessment period.

Recent Changes in Accounting Standards

The Financial Accounting Standards Board (FASB) is one of the authorities that issues standards and rules concerning accounting issues. In the last few years, several new standards concerning nonprofit organizations have been issued.

Financial Accounting Standards Board sets policy for what is "Generally Accepted Accounting Principles" (GAAP) - If financial statements don't conform to these policies, the auditor's opinion must be qualified, or modified to explain the departure from the standards.

FASB 116 - Contribution recognition

This standard primarily concerns the time when a contribution should be recorded in an organization. The rules stated that you recognize the contribution when there is an "unconditional promise to pay." This means that if a foundation or United Way sends you a notice of a contribution, you are to record the entire contribution at that time. However, if it is a challenge or matching grant, or if there are other "conditions" that you must satisfy to enable you to receive the funds, you would not.

This if different from the usual concept of matching revenue and expense, since it may accelerate the time that you record the contribution.

It is important to distinguish between contracts and contributions. Contributions are generally when the donor gives you funds, but receives nothing in return. Therefore, grants from foundations and other private sources may be contributions.

Grants from governmental agencies may be exchange transactions, since the government is "the people" and "the people" benefit from the grant, the donor and persons benefiting from the funds are the same. Therefore, these are generally considered exchange transactions, which are not subject to the rule of recognizing the income when the promise is received.

This standard also, clarifies when and how to recognize the "in kind" contributions received by organization. An in-kind contribution is recognized when it meets the following conditions:

> Does the contributed service enhance the nonfinancial assets? In other words, have you received property? If so, record the asset at fair market value?
>
> Does the in-kind service require specialized skills?
>
> Does the provider have those skills?
>
> Would the service have been purchased?
>
> If so, record as in-kind revenue at fair market value and show the same amount as an expense.

Otherwise, do not record the in-kind donations and only recognize in the disclosures in financial statements.

FASB 117 - Financial Statement Presentation

This standard clarifies three different types of funds as well as re-defining the information to be included in audited financial statements. The restrictions on the funds must come from the donor or grantor. The board cannot create restricted funds.

Permanently Restricted Funds

When a donor makes a gift, but specifies that the gift can never be spent, the funds are called permanently restricted. You would be able to spend the income generated by the gift, but not be able to spend the gift itself. These were formerly called endowment funds. Unless donor stipulates otherwise, the income earned is unrestricted.

Temporarily Restricted Funds

A donor or grantor may stipulate when or how their gift is to be spent. These funds are called temporarily restricted. Governmental grants that are restricted to serve a purpose are one example of temporarily restricted funds. Another example would be money raised specifically to build a building or for a specific project of the organization.

Unrestricted Funds

All other funds are unrestricted funds. These can be spent at the discretion of the organization. General donations are usually in this category, along with most United Way money.

Tax Liabilities of Non-Profits

The tax liabilities of a nonprofit varies with the type of exemption held. Organizations under 501(c)(3) are discussed below.

Payroll Taxes -

Employees are subject to withholding for federal income tax and FICA (Social Security and Medical Insurance stated separately). 501(c)(3)'s are **exempt** from FUTA (Federal Unemployment) taxes, but not from the Texas Workforce Commission (TWC) state unemployment taxes. For nonprofits, TWC taxes can be paid under an experience ratio (like all for-profit businesses), or paid on actual amounts paid to former employees. These is also a special exception for organizations with fewer than four employees.

Property Taxes

Charities are exempt **if** property is used for an exempt, charitable purpose. This exemption is not automatic. The organization must submit exemption claim to taxing authorities.

Sales Tax

Charities are exempt from sales taxes for exempt-purpose purchases. Generally, this will be all the activities of a 501(c)(3) organization. However, any sales of taxable items are subject to collection and payment of tax, i.e. thrift shop sales. Again, there is a special exemption from the collection of sales taxes on items sold for two days per calendar year. Many organizations takes advantage of this rule by having several sales activities centered on two days.

FEDERAL INCOME TAXES

Although the organization is an "Exempt Organization," IRS has specific reporting requirement and potential tax liabilities.

<u>Who Must File</u>

If the organization has less than $25,000 in annual gross receipts, no annual income tax return is required. All collections are included in determining gross receipts.

If gross revenues are less than $100,000 and assets are less than $250,000, the organization may file form 990EZ and Schedule A. This is a much abbreviated form and less cumbersome for a small organization to complete.

Otherwise, you must file form 990 and 990 Schedule A. The 990 form is six pages long and requires a breakdown of revenue by source as well as expense by line item and by function.

<u>Revenue source requirements</u> to avoid being classified as a private foundation – this information is documented on 990 Schedule A.

To maintain your status as a publicly supported organization, you must identify the source of your funding. You need at least one/third of your gross receipts from "public support" and not more than one/third from investments. For this definition, public support includes governmental grants and "pass-through" grants (such as United Way or other pass-through entities). Public support excludes contributions from any one benefactor of more than 2% of revenues. This may pose problems for heavily endowed organizations or for very small organizations that rely on a few benefactors. IRS does have a phase-in period for newly formed organizations. IRS also has a special exception for "unusual grants," such as major gifts for a building campaign.

Unrelated Business Income Tax (UBIT) – Form 990T

History - Any exempt organization must be aware of the changes in federal tax law and the increasing tendency to find ways to tax non-profits. Old law (1950) provided for termination of exempt status if the organization was primarily engaged in operating a trade or business.

Definition – For income to be taxable to a nonprofit organization, three tests must be met. The income must be from a trade or business, regularly carried on and not related to the organization's exempt purpose.

> **Trade or business** - includes any activity carried on for the production of income from selling goods or performing services. Almost all organizations have at least one trade or business. IRS will look at each activity separately.
>
> **Regularly carried on** – The activity is conducted in a frequency and with the same continuity as a commercial business.
>
> **Not substantially related** to <u>your</u> exempt purpose.
>
> *Trade or business* is related if the conduct of the activities bears a causal relationship to the achievement of the exempt purpose other than the need for income.
>
> *Activities must contribute* importantly to the accomplishment of the exempt purpose to be considered as related to the exempt purpose.

Examples of potential problem areas.

The purpose of your organization is education in the arts. Your group sells "advertising" in program for concerts. This might be sponsorship (non-taxable) or advertising (taxable), depending on whether the recognition in the program is simply a listing of supporters or if it is truly advertising, urging the reader to buy the sponsor's product.

Your purpose is direct assistance to homeless persons, and you hold fund-raising lunches every week with proceeds going to homeless people. While this benefits the program, the sale of lunch is a trade or business that is not related to your purpose. Since you do this every week (regularly carried on), the income is taxable.

Special exemptions or exclusions. The Internal Revenue Code has several items specifically excluded from income tax. These include:

> Interest, dividends and royalties.
>
> Income generated with primarily volunteer labor. An example would be a concession stand at a football game run by booster club parents.

Sale of donated merchandise. Stores that resell donated goods are exempt from income tax. However, any items purchased for resale would be subject to tax.

Bingo games (except for "Pull-Tabs"). Bingo games are specifically defined in the Internal Revenue Code and any "instant win" bingo games are subject to tax while traditional games are not.

Rental income from real estate is exempt from income in some cases. The rules regarding this include limitations on the type of property rented as well as whether the organization has any debt related to the property.

Information on the 990 form

The current form 990 requires much more detail about the analysis of income-producing activities. Each type of income must be justified as to why it is not subject to tax. IRS has two goals - to tax all that they can and to get as much information as possible. This will require you to keep accurate and detailed records for any activity that might be subject to tax. Before you say that you have none, remember that all fund-raisers are tracked separately, all interest, all sales of merchandise, etc.

IRS also has a requirement that you disclose contribution amounts when any value is returned to donor. All donors who give $250 or more must have documentation that they did not receive any goods or services in exchange for their donation.

Another requirement is to allow for public inspection of 990 forms and application for exemption. Any one may request a copy of your tax return, with certain information excluded, and may request to see your application for exemption that was filed with IRS. You may charge a nominal amount for copies, but you must provide the information.

Regulations on lobbying expenditures.

Charities are allowed to participate in lobbying activities, but must track and report those expenses on their annual tax return. To know whether you have any lobbying expenses, it is important to understand the IRS definition of the terms.

Direct lobbying is defined as an attempt to influence legislation. This is communication with a member or employee of legislative body (not the executive or judicial branches of government). Lobbying must refer to specific legislation and reflect a view (vote for or against) concerning the legislation.

Grass roots lobbying is defined as influencing legislation by attempting to affect the opinions of the general public. This includes encouraging public to take action and contact the legislators.

IRS regulations allow a certain amount of lobbying as a non-taxable amount. This is determined as a percent of exempt purpose expenditures. (Example - <$500,000 - 20%; percentage declines as expenditures increase.)

Excess lobbying expenses are subject to an **excise tax of 25%.**

Grass roots non-taxable amount is 25% of lobbying non-taxable amount.

Regulations on Corporate Sponsorships

The Internal Revenue Service has issued proposed regulations clarifying the status of sponsorship received by exempt organizations. The proposals, distinguish between payments received for **advertising**, which are subject to tax as Unrelated Business Income, and payments for "**acknowledgments**," which are not. The key difference in tax treatment is based on the definition of "acknowledgments."

What are acknowledgments? Acknowledgments would be defined as "mere recognition of sponsorship payments." So long as the effect is the identification of the sponsor, not the promotion of the sponsor's products or services, acknowledgments could include:

- Sponsor logos and slogans that don't contain comparative or qualitative descriptions of products or services. Special exception for qualitative descriptions apply to logos or slogans that are a part of the sponsor's identity.
- Sponsor locations and phone numbers
- Value-neutral descriptions, including displays or visual depiction of products or services
- Brand or trade names and product or service listings.

Example: An exempt organization conducts a marathon at which it serves participants with refreshments provided by a corporation. The exempt organization recognizes the corporation's assistance by listing its name in promotional fliers and newspaper ads and on T-shirts worn by participants. The exempt organization also changes the name of the event to include the name of the corporate sponsor. These activities are acknowledgments, not advertising.

What is advertising? Advertising would be defined as any message or other programming material broadcast, published, displayed or distributed which promotes or markets any company, service, facility or product. However, advertising wouldn't include anything that fits the definition of "acknowledgment". Messages or other programming material would constitute advertising if they include the following:

- Price information or other indications of saving or value.
- A call to action or endorsement.
- An inducement to buy the sponsor's product or service. However, distribution of the sponsor's product at the sponsored event, whether free or not, wouldn't be considered an inducement.

Example: A noncommercial station airs a program sponsored by a record shop. In recognition of that sponsorship, the station broadcasts the following: "This program has been underwritten by the Record Shop, where you can find all of your great hit music. The Record Shop is located at 123 Main Street. Give them a call today at 555-1234. This receive $250,000 of federal dollars and $250,000 in state dollars and not be required to have a single audit.

There are additional elements in a Single Audit. These include determining compliance with:

Federal laws and regulations

General grant requirements

Specific grant requirements

Internal controls

The report also includes Schedule of Federal Financial Assistance listing all grants from Federal and State Agencies and a statement listing Findings and Questioned Costs. Also, organizations with federal funding must submit the audit report along with a Data Collection Form to a centralized clearinghouse

Explanation of accounting services

An explanation of the different levels of accounting service is in order. Financial statements services offered by Certified Public Accountants include **compilations**, **reviews** or **audits**. Each of these has very specific steps involved and different levels of assurance provided by the CPA to the reader of the financial statements.

The lowest and least expensive level of services that a CPA firm can provide is a **compilation**. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. The report letter states that the CPA firm did not audit or review the financial statements, and accordingly, does not express an opinion or any other form of assurance on them. What this means is that the accountant has performed minimal steps to be able to say that the financial statements are put together correctly. The accountant must understand the industry of the client, have knowledge of their accounting principles and practices, and read the financial statements carefully to decide whether there are any significant departures from generally accepted accounting principles. The compiled financial statements may be prepared with or without full note disclosures that relate to the basic narrative information concerning the organization and its financial statements. The CPA does not have to be "independent" from organization to issue a compilation. Example, treasurer of board, who is CPA, can provide compilation.

A **review** is the mid-range level of service. In a review, we perform all of the steps for a compilation. In addition, we perform various analytical procedures, compare the activity to that in prior periods or budgets, and study the relationships of various elements of financial statements to discover trends and reasonableness, and perform ratio analyses. We are required to perform additional inquiries of management and be much more familiar with the operations of the organization. We perform such procedures to give us limited assurance that there are no material modifications which should be made to the financial statements for them to be in conformity with generally accepted accounting principles. We will also obtain a letter from management concerning the completeness of the information that they have provided us. Reviewed financial statements must include the note disclosures that may be eliminated in compilations. The report letter will state that the financial statements have been reviewed. It will also state that an audit has not been performed and that there is no opinion expressed on the financial statements taken as a whole. The CPA must be independent.

The highest level of assurance that we can provide is in the form of an **audit**. The standard auditor's report has been changed to reflect the scope and limitations of the audit. Below you will see the standard auditor's report.

We have audited the accompanying balance sheet of X Company as of December 31, 20XX, and the related statements of income, fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of December 31, 20XX, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As you can see, the auditor's report provides a much greater level of assurance to the reader of the financial statements. This report also indicates that we will use testing as a basis for examining certain items, and that the ultimate responsibility for the financial statements is the organization's. In an audit, we test all balance sheet accounts and confirm amounts with third parties whenever possible. An audit must include note disclosures and the CPA must be independent.

Budgeting For the Nonprofit Organization

What is a budget?

A budget is a road map of where you want to go and how you expect to get there. Budgeting is not just what you do once a year to be able to complete a grant request. Budgets are tools to help you map your future and then a map to compare to as you go along.

Purposes of Budgets

Budgets serve several purposes. The first is planning - Identify goals, resources, and results. The next purpose is communication where you convey your plan to the organization. Finally, the budget process provides control and evaluation. It gives you a tool to use in comparing results to the plan and a way to begin to investigate variances.

Special budgeting consideration for Nonprofits

Nonprofit organizations have some unique issues in budgeting. Although you are a not-for-profit, you still should have an excess of revenues over expenses. Especially in the early stages of an organization, one of your goals is to develop a reserve for cash flow purposes or to be able to weather lower funding cycles.

Driving factors - Types of Budgets

When developing a budget, you may know income and use that as a budget basis. This would be the case if you only have grant funding and no outside sources of income. You have a finite amount of money that you will receive and must determine the best way to use those dollars.

Alternately, you may begin with costs necessary to meet the needs. In this example, you would identify the expenses required to accomplish your goals and then figure out the income needed. Then you would determine whether that income goal was attainable.

Adding to the complexity of non-profit budgeting is the fact that multiple funding sources typically have different year-ends and different cycles for submission of budget data.

Seven steps to effective budgeting.

Below are seven steps to use in developing your budget. These may help you stay on track in the process.

1. **Know your organization's mission.**

   Ideally, your budget begins with long range goals of the organization. You must know what you are trying to accomplish before you begin the process. Then you would define your short-range goals. Your board must take a leading role in the direction of goal setting. Then the board and staff together develop specific strategies for meeting goals.

2. **Evaluate existing and potential programs.**

   The next step is to measure each program against the long and short-term goals and objectives for the organization. How are the existing programs doing in terms of meeting the objectives of the program? We now see much more in the area of outcomes tracking that will assist you in determining the effectiveness of the program. The board or top management should perform this function. Remember that in the process, there are no sacred cows - all services and programs should be scrutinized. Just because you have always had a particular program is not the reason to keep the program.

3. **Assign responsibilities.**

   Everyone involved in the budget process must know his or her role. The board has to set goals and objectives and devise or approve basic strategies. The executive director (or delegated staff) should coordinate the process. This includes the assignment of specific tasks (individual program budgets, or components of the organization) and setting deadlines for completion. It also includes putting the pieces together in one package to form the comprehensive budget and directing the approval process.

   Budgets should be built at the departmental or program level. They should include methods of monitoring and assessing the results of the budget process. You can't expect program heads to operate in a vacuum. Give responsibility and control as a package.

4. **Keep the process simple and realistic.**

   Realism is the key.

   Use the same format for budget information gathering as for the final budget. If you need greater detail, put together so that it is easy to summarize in the final format.

   Automate whenever possible. Use computer spreadsheets to calculate salaries at various levels and to compute fringe benefits. Put budgets together on the computer to make changes in the calculations easy to ripple through the entire budget. However, be wary of accuracy of spreadsheet if you have not proofed the formulas carefully.

   Assign only controllable costs to program heads. Don't assign such central costs as rent, insurance, etc.

   Provide information that will make the budget process easier for the staff:

   Historical data

   Any new information known

   Inflationary trends

5. **Get your budget approved.**

   Know what your board expects for the bottom line <u>before</u> you begin. Are they expecting an increase in net revenues over expenses or break-even?

   Give the board members a chance to study the budget before the approval meeting. Decide on the level of detail that makes sense for them to see.

   Make budget documents simple and easy to understand. Provide historical information for comparison purposes. Explain significant changes from prior year.

   Consider having program heads present their portion of the budget.

6. **Keep score.**

   The approved budget is the **beginning** point. Use it as a tool that needs to be revised during the year to keep management up-to-date on what is going on in the organization.

   Accounting reports should provide you with information that enables you to keep up with the budget and to make the necessary changes in your forecasts.

7. **Review and revise as needed.**

   Flexibility is a necessary part of an effective budget.

   If changes are needed, procedures should be in place for how they are to be made.

   Determine what changes require board action and which do not.

   Management should be ready to respond to problems as they occur and to make the changes necessary to correct them.

APPENDIXES

Sample Forms

- Check Request
- Cash Receipts Log
- Travel Reimbursement Form
- Time Sheet
- Sample Budget Worksheet

Month-end Checklists

- Bank Reconciliation Checklist
- Reconciliation of Investment Accounts
- Grantor Billing Worksheet
- Treasurer/Board Oversight Checklist

Sample Financial Policies

- Brief Version
- Expanded Version
- Checklist for Board Members

Check Request

Date of request: ______________________ Date Check needed: ______________________

Payee: ______________________ Amount of check: ______________________

Address: ______________________ Phone #: ______________________

____

______________________ Tax ID # of payee: ______________________

Tax ID number is needed for payments for services provided by any unincorporated business or individual.

Check distribution method:

Return to: ______________________ Hold for pickup by: ______________________

Mail to: ______________________ Other: ______________________

Description of expense: ____

____

____

Requested by: ______________________ Approved by: ______________________

Account distribution:

Account Number	Account Name	Program Name	Amount

CASH RECEIPTS LOG

Date: ______________________

Client Name	Account Code	Gross fee	Adjustment	Net Fee Paid	Accounts Receivable
		$	$	$	$
Totals					

SAMPLE TIME SHEET

Employee Name ____________________ Month of ____________

Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		Total
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
Program 1																	
Program 2																	
Program 3																	
Program 4																	
Other																	
Holiday																	
Vacation																	
Sick																	
Comp taken																	
Total																	

Date submitted ____________________ Approved by ____________________

SAMPLE BUDGET WORKSHEET

Personnel Schedule		3.0%	rate of increase							
			6.40%	1.25%	2.70%		1.00%			
Position	Current	Proposed	Social	Medicare	TWC	Health	Workers	Pension	Total	
	Salary	Salary	Security			Insurance	Comp	Plan	Cost	
Ex Dir	35,000	36,050	2,307.20	450.63	243	250	360.50	1,081.50	40,742.83	
Adm Asst	20,000	20,600	1,318.40	257.50	243	250	206	618	23,492.90	
Wkr 1	28,000	28,840	1,845.76	360.50	243	250	288.40	865.20	32,692.86	
Wkr 2	27,500	28,325	1,812.80	354.06	243	250	283.25	849.75	32,117.86	
Wkr 3	22,000	22,660	1,450.24	283.25	243	250	226.60	679.80	25,792.89	
Total Personnel	132,500	136,475	8,734.40	1,705.94	1,215	1,250	1,364.75	4,094.25	154,839.34	
Other expenses										
Rent										
Utilities										
Professional fees										
Supplies										
Maintenance & repairs										
Etc.										

Bank Reconciliation As an Internal Control		
	Bank Name ______________________________	Month________
		Initial when done
1	Review deposit amounts against expected deposit amounts from deposit log or cash receipts log.	
2	Review deposit dates against expected deposit dates.	
3	Scan checks for correct signatures. If you require two signatures over a certain amount, verify that those checks have two signatures.	
4	Scan checks for inappropriate payees.	
5	Scan endorsements on checks for inappropriate endorsers.	
6	Verify that payroll taxes have been deposited timely.	
7	Review outstanding checks and deposits from prior month. All deposits should have cleared. Checks outstanding longer than 90 days should be voided.	
8	Reconcile balance to amount shown on general ledger. Make adjustments in general ledger for bank charges, interest income and automatic bank drafts.	
10	Sign-off by individual who has no cash responsibilities.	

Reconciliation of Investment Accounts		
	Account Name ______________________	Month________
		Initial when done
1	Record interest and dividends from statement.	
2	Record realized gains/losses on sales of securities. Difference between cost and sales proceeds is the "realized gain."	
3	Record any fees from the statement.	
4	Print out and look over general ledger for the account.	
5	Record any other differences between market value and the general ledger balance as "unrealized gain or loss."	

Grantor Billing Worksheet For Cost Reimbursement Contract/Grants		
	Grant Name ______________________	Month________
		Initial when done
1	Print out income statement for grants for both the current month and year to date. Print out GL detail.	Print out
2	Review detailed GL and income statement for proper allocation of expenses, proper coding to line item.	Review
3	Make any corrections needed to the general ledger and reprint corrected income statement.	Correct
4	Prepare billing format for submission to grantor agency.	Bill
5	Enter billing amount as revenue to the grant in the general ledger, (If you are using the accrual method of accounting).	Record
6	File printout, billing copy and this worksheet.	File

Treasurer/Board **Oversight Checklist**		
	Month ______________________________	
		Initial when done
1	Bank reconciliation completed and reviewed for each account.	
2	Payroll tax deposits made timely.	
3	Payroll reports prepared and filed timely (at end of quarter).	
4	Grantor billing submitted and billing recorded in general ledger.	
5	Accounts payable reviewed for any problems.	
6	Accounts receivable/grants receivable reviewed for any problems.	
7	Income statements and balance sheets prepared for each activity on a timely basis.	

FINANCIAL POLICIES

(Brief Version)

I Receipts

A Mail Receipts

(1) Cash and checks will be segregated and listed, as received on the mail receipts form. The total of checks and cash will be added and compared with the total on the form.

(2) Checks will be endorsed for deposit immediately upon receipt with a stamp or handwritten signature that includes the specific bank account number of the organization.

(3) Checks will be held in the fire safe for deposit within five working days of receipt.

(4) The cashier/person making deposits will not be the person responsible for making postings to the ledgers. The cashier will be defined as the director or associate of the organization. The cashier's responsibility to supervise cash, to make up the bank deposits and to prepare reports of receipts from which the bookkeeper will make postings to the ledger.

(5) RECEIPTS LISTS AND BÁNK DEPOSITS WILL BE CHECKED AND COMPARED BY THE BOOKKEEPER ON A MONTHLY BASIS.

B Accounting for the Receipts

(1) Cash receipts journal entries and column totals will be compared with the daily deposit at least semi-annually by someone independent of both the cashier and the bookkeeper.

(2) Receipts will be deposited intact and in the identical form in which they are received, i.e., no checks will be cashed out of cash funds received as payment for services.

(3) Prenumbered acknowledgements will be prepared by an employee who has no other cash duties, and copies will be sent to contributors. A comparison of the receipts and acknowledgement will be made by the bookkeeper no less than quarterly.

II Insurance And Bonding

A The organization will secure a blanket position bond or fidelity insurance for all staff members and officers whose duties involve the handling of resources of the organization. This will serve as protection against loss through larceny, theft, embezzlement, forgery, misapplication, wrongful abstraction, willful misapplication, or any other fraudulent or dishonest act or acts committed by any one or more employees, acting directly or in collusion with others.

III Safekeeping of Records

A Books of original entry, books of final entry and all records in support of subsidiary ledgers will be closely safeguard by storing them in locked and fireproofed equipment.

B Back-up copies of computer software and accounting records will be kept on site. Original computer information will be maintained offsite.

IV Control Procedures

A Functions regarding financial materials and information will be clearly segregated. The receipt and recording of checks and cash will be performed by the director or associate. Custody of the records and accounting information will be maintained by the bookkeeper. Audits will be performed according to the appropriate guidelines.

B Investments

(1) Investments will be handled by the director. The recording and documentation of investments and their income will be performed by the bookkeeper.

(2) Marketable securities, should they be acquired by the organization will be kept in a bank safe deposit box.

V Disbursements

A All disbursements will be made on a timely basis by check and supporting documentation will be kept for each disbursement

B Approval should be noted prior to disbursement on the form designated for that purpose or on the original bill/invoice.

C Checks over $2,000.00 will have two signatures.

VI Other

A The bank statements will be reviewed by the director prior to reconciliation by the bookkeeper. Each month a reconciliation will be completed by the bookkeeper and the accounting of checks by amount and account designation reviewed by the director, usually in the form of a budget comparison.

B All write-offs of accounts receivable or other assets will be approved by the director.

C Fixed asset record will be maintained on a separate log and inventory taken at least yearly.

D Excess cash will be maintained in a separate bank account. Withdrawals from this account will require two signatures.

SAMPLE FINANCIAL PROCEDURES MANUAL

(EXPANDED VERSION)

I General

1 The Board of Directors formulates financial policies, delegate's administration of the financial policies to the administrative staff, and reviews operations and activities.

2 The Executive Director has overall responsibility for all operations and activities, including financial management.

3 The Program Director is responsible to the Executive Director for all financial operations.

4 Current job descriptions will be maintained for all employees, indicating duties and responsibilities.

5 Financial duties and responsibilities must be separated so that no employee has sole control over cash receipts, disbursements, payrolls, reconciliation of bank accounts, etc.

6 All employees are encouraged to take annual vacations to provide rotation of accounting and other duties.

7 Separate accounts will be maintained as required by funding source regulations.

II Cash Receipts (Includes Checks)

1 All cash and checks will be immediately forwarded to the Executive Director for review after a receipt is completed and checks are stamped "FOR DEPOSIT ONLY."

2 A deposit slip will be completed in duplicate by the Executive Director. Also, a deposit form will be completed listing the source, proper code number and amount of each receipt.

3 All receipts will be deposited intact (deposited daily).

4 Documentation for all receipts (copies of checks, letters, vouchers, etc.) will be filed chronologically with the deposit form.

5 All deposits will be made daily by the assistant to the Executive Director.

6 The returned validated deposit receipt will be attached to the completed deposit form.

7 The Assistant to the Executive Director will copy all deposit forms and forward them to the bookkeeping service after the end of the month for processing of Cash Receipts Journal.

8 All checks will be endorsed as follows:

"For Deposit Only"
Pay to Order of Union National Bank (or comparable endorsement)
XYZ, Inc. A/C #................

9 The bookkeeping service will produce a cash receipts register for our records and record data in appropriate General Ledger accounts.

III Cash Disbursements

<u>Check Authorizations</u>

1 All original invoices for program expenses will be immediately forwarded to the Program Director after being stamped with the appropriate date received by the Secretary or other employee receiving the invoice. Program Director approval indicates the legitimacy of the program expenses.

2 The Program Director attaches the appropriate source documents, i.e., purchase requisitions, purchase orders, receiving documents.

3 After the Program Director reviews, approves, signs, and codes the invoices, they are forwarded to the Executive Director for final approval.

4 The Assistant to the Executive Director will pull any request for reimbursement forms and check for accuracy, receipts, and signatures and then prepare a check.

5 The check, along with the original documents, will be forwarded to the Executive Director, and the Executive Director will approve and sign the check. A Board member designated by the Board shall countersign all checks after reviewing the request for payment, invoice, etc.

6 The Assistant to the Executive Director will be responsible for all blank checks, which will be kept under lock and key.

7 The Assistant to the Executive Director will stamp all invoices "PAID" as soon as checks are signed and write the check number on the invoice.

8 The original documents will be filed in chronological check order by the Assistant to the Executive Director.

9 The bookkeeping service will record the checks in the check register by month.

10 Voided checks will have "VOID" boldly written in ink across the face of the check and the signature portions of the original check will be perforated or cut out. The original of the voided check will be filed with the appropriate bank statement.

11 In NO event will:

(a) Checks be prepared unless these procedures are followed;

(b) Checks be prepared from monthly statements or copies of invoices (should have original invoice),

(c) Checks be used other than in chronological order;

(d) Checks be prepared or signed in advance;

(e) Checks be made out to "cash," "bearer," "petty cash," etc.

(f) Checks are prepared on verbal authorization without verification form or supporting documentation.

Bank Reconciliations

12 Bank statements will be received directly, unopened, by the Treasurer who will review all returned checks and the statement and then forward the statement to the Assistant to the Executive Director who will conduct a reconciliation of the check book balance.

13 The bank balance and the cash in bank account in the general ledger will be reconciled by the bookkeeping service. A reconciliation report will be submitted to the Executive Director for approval.

14 The Program Director should be notified of all checks outstanding over 90 days, and should take appropriate action on these checks.

IV PURCHASE PROCEDURES

Purchasing

1 A purchase requisition form must be completed for any desired purchase with specific details.

2 The Executive Director will review and approve or disapprove all purchase requisitions.

3 The Executive Director will obtain phone bids for a purchase when the acquisition cost of an item is between $500.00 and $2,999.99, written bids when the acquisition cost of an item is between $3,000.00 and $9,999.99, and sealed bids when the acquisition cost of an item is $10,000.00 or over. The bids obtained should be listed on the purchase requisition.

4 When the goods are received, the Assistant to the Executive checks the goods received against the requisition and/or order and then completes a receiving report. The receiving report is attached to the requisition and forwarded to the Program Manager.

5 The Assistant to the Executive files the approved purchase requisitions, purchase orders and receiving reports in an outstanding requisition file until the invoice or bill is received.

6 All the supporting documentation is pulled and attached to the invoice before payment is made. (See check authorizations).

Request for Reimbursement

7 If it is not feasible to turn in a purchase requisition for required purchases or expenditures, the employee can complete a request for reimbursement form, which may or may not be approved for payment.

8 The main purpose of the request for reimbursement is to provide a means where justifiable incidental costs incurred by the employee can be reimbursed, such as postage, post office box rental, etc.

9 All requests for reimbursement forms must itemize the costs, be accompanied by receipts or sales tickets to document costs, and be signed by the employee requesting reimbursement.

10 Request for reimbursement forms must be submitted to the Executive Director for

approval.

11 The Executive Director will return all incomplete forms to the employee for correction. (See check authorization for payment procedures.)

V Payroll

Hiring

1 The Board of Directors hires the Executive Director.

2 The Executive Director will hire all Program Directors and other staff.

3 The Program Director, with consent and approval of the Executive Director, will hire all other persons to be employed in his/her program. Employees hired for "non-program" positions will be hired by the Executive Director.

4 A request for Personnel Action form will be completed by Program Director and approved by Executive Director and forwarded to Assistant to Executive Director for any changes in pay rates, or employee status.

5 The Program Director and Executive Director will be responsible for seeing to it that all new employees complete the following:

(a) Form W-4, Employee Withholding Certificate;

(b) Insurance application forms;

(c) Receives a copy of personnel and financial policies;

(d) Retirement enrollment, if applicable.

6 An employee's hiring is not effective until the Request for Personnel Action Form, Form W-4, and insurance forms have been completed.

7 The Program Director will be responsible for seeing to it that all new employees receive and read the Personnel and Financial Policies.

8 All employees will comply with agency personnel and financial policies.

9 The Assistant to the Executive Director will set up a personnel file for each new employee. The change of status form, employment application, and Form W-4, will be placed in the personnel file.

10 Each employee will be responsible for completing a time sheet on a timely basis.

11 Completed time sheets, signed by the employee, will be submitted to the Program Director (or Executive Director) at the end of the pay period.

12 Incomplete time sheets will be returned to the employee, and late time sheets will be held until the following pay period.

13 The Assistant to the Director will verify the accuracy of the time sheets.

14 The Assistant to the Executive Director will record the appropriate information on the sick

time and vacation accumulation sheets, file summary sheets in financial files, and file time sheets chronologically by pay period.

15 The Assistant to Executive Director will distribute payroll checks to the central office staff and mail other checks to employees.

16 The Assistant to Executive Director will record the payroll register and send a copy of the register to the bookkeeping services to post to the Cash Disbursement Journal.

17 The Assistant to the Executive Director will pull payroll tax information and prepare a check for payment of tax deposits. A copy of the deposit form and check will be filed by the Assistant to the Executive Director.

18 The bank deposit will be made to pay the payroll taxes, and the bookkeeping service will compare the payroll taxes paid with the payroll taxes payable account in the general ledger.

19 The Assistant to the Executive Director will prepare payroll tax reports and the Executive Director will approve and sign the payroll tax reports.

VI Travel

Local Travel

1 Each employee will complete appropriate travel vouchers on a contemporaneous basis.

2 Mileage to and from employee residence will not be paid by the agency.

3 Expenses will be reimbursed per personnel policies and procedures.

4 At the end of the pay period, the travel voucher will be totaled, signed by the employee, signed by the Executive Director, and submitted on a timely basis.

5 Reimbursement will be based upon travel vouchers. Receipts must be attached to the travel voucher for lodging, common carrier transportation and all other expenses with the exception of meal tickets. Chart (map) mileage should be used from one location to another. Any local vicinity mileage must be listed separately.

6 Incomplete travel vouchers will be returned to the employee and late travel vouchers will be held until the following pay period.

7 The Assistant to the Executive Director will verify the travel voucher and calculate the amount of the total travel reimbursement.

8 Checks will be prepared in accordance with Section III, Cash Disbursements Procedures.

9 Travel will be filed chronologically with the check number listed at the bottom of the travel voucher.

VII Consultants

1 Consideration will be made of in-house capabilities to accomplish services before contracting with outside firms.

2 Written contracts clearly defining work to be performed will be maintained by the Executive Director for all consultant and contract services.

3 The qualification of the consultant and reasonableness of fees will be considered in hiring consultants.

4 The Board of Directors will approve proposed contracts in excess of $1,000.

5 The Executive Director will approve proposed contracts for $1,000 or less.

VIII Property

1 Equipment shall be defined as all items (purchased, Government excess or donated) with a unit cost of $100 or more, and a useful life of more than one year.

2 The Assistant to the Executive Director will enter all equipment on an equipment listing when received and tag or otherwise mark the equipment with a unique inventory number.

3 The equipment will be capitalized on the agency's books when the invoice is paid.

4 The Assistant to the Executive Director will take a physical inventory of all equipment annually and indicate the location of the equipment and insure that all equipment is properly marked.

5 The Assistant to the Executive Director will reconcile the physical inventory with the equipment listing. All discrepancies must be properly explained.

6 All staff will immediately notify the Executive Director of all cases of loss, damage, or destruction of equipment. Relief of liability will be requested from the appropriate granting or contracting agency in order that the damaged equipment may be disposed of in compliance with applicable regulations.

7 All items of equipment costing $300 or more must have prior approval in writing by the source of any grant funds used in the purchase.

8 Advertised bids must be obtained when the cost per item is over $10,000.

9 Only items of equipment necessary for the completion of a program will be purchased for that program.

10 The purchase of equipment will comply with the procedures in Section IV, Purchasing.

11 All equipment will be recorded in the general ledger by the bookkeeping service. An entry must be made whenever property is disposed of or acquired.

IX Leases

1 The Executive Director will review leases prior to submission to the Board of Directors.

2 All leases will be approved and signed by the Executive Director.

3 Leases will correspond to program years whenever possible.

4 Copies of all leases will be immediately forwarded to the Assistant to the Executive Director for filing and retention.

X Insurance

1 Insurance policies will be maintained in insurance files by the Assistant to the Executive Director.

2 Insurance policies will correspond to the program year whenever possible.

3 Insurance policies will be carefully reviewed by the Executive Director and Board at least annually.

XI Books of Original Entry

1 The agency will utilize a double entry system for accounting for all funds.

2 The bookkeeping service will insure that all receipts and cash disbursement journals on a monthly basis.

3 The Assistant to the Executive Director will prepare accounts payable and receivable report effective the last day of each month. These will be forwarded, after signing off by the Executive Director, to the bookkeeping service, along with any other general journal entries.

4 Adequate documentation will be maintained to support all general journal entries.

5 Expense accounts in the general ledger will correspond to the budget when possible.

6 The Executive Director will review the books and trial balance at the end of each month.

XII Reports

1 Monthly financial reports by cost category will be prepared by the bookkeeping service.

2 Monthly financial reports by cost category will be reviewed by the Executive and Program Directors.

<u>Reports to Funding Sources</u>

3 The Program Director will prepare monthly and quarterly reports to funding sources, when applicable. These reports shall be reviewed and approved by the Executive Director prior to submission.

4 The Assistant to the Executive Director will prepare and maintain, on a current basis, a listing of all-financial reports and requests due.

5 It will be the responsibility of the Executive Director to insure that all reports are submitted on a timely basis.

Reports to Board of Directors

6 The Executive Director, along with the bookkeeping service, is responsible for preparing a schedule of actual to budgeted expenditures for review by the Board of Directors, as well as any other financial information requested.

Reports to Executive Director

7 The bookkeeping service will present the Line Item Revenues and Expenditures by Project Report and an Expenditure Report by Program Component on a monthly basis to the Executive Director for review.

XIII Other

Cost Sharing

1 Each program will pay for direct costs relating to that program site. Indirect or core administrative cost of programs will be prorated based on a generally accepted cost share basis (e.g., square feet for space, etc.). See organization's cost allocation plan.

2 Donations of cash and non-program related income would be accounted for separately.

Accounts Receivable

3 Documentation will be maintained for accounts receivable.

4 Accounts receivable will be recorded in the books and collected on a timely basis.

Financial Procedures

5 The Executive Director will prepare and maintain on a current basis a Procedure Manual summarizing all financial activities.

6 Financial procedures will be reviewed annually by the Board. Changes in the Financial Procedures Manual must be approved by the Board prior to implementation.

Confirmation Letters

7 A letter confirming significant telephone conversations will be used in all cases where telephone approval or direction is received from a funding source.

8 A letter will be used to obtain approval from the funding source for required program changes or budget revisions.

CHECKLIST FOR BOARD MEMBERS

The Board members' responsibilities revolve around three duties: the duty of care, the duty of loyalty, and the duty of obedience. Questions that board members should ask include:

Duty of Care

1. Am I sufficiently informed to vote on and evaluate potential problems?

   a. Are minutes of all Board and committee meetings sent to members in advance of meetings? ________

   b. Are the organization's newsletters, magazines, or other publications reviewed to assure adherence to exempt purposes? ________

   c. Are periodic financial reports (including comparisons with budget amounts) received regularly? ________

   d. Do independent consultants possess adequate knowledge to provide expert advice when needed? ________

   e. Are Board meetings long enough to allow adequate discussion of the issues? ________

2. Are there sufficient long and short-range plans?

   a. Are approved plans monitored to assure accomplishment of objectives? ________

   b. Are financial budgets for one to three year periods developed and approved before the start of the fiscal year? ________

   c. Is ratio analysis conducted on financial statements? ________

   d. Do staff members develop feasibility plans for proposed projects? ________

3. Is the organizational structure adequate to assure an efficient and effective operation?

   a. Are internal financial controls in place? ________

   b. Is there a system in place to assure compliance with local, state, and federal laws, with periodic review by audit or executive committee? ________

   c. Does an independent accountant issue audit reports at least once a year? ________

   d. Are duties delegated sufficiently? ________

   e. Are personnel policies spelled out, published in a manual, and monitored at least annually by a Board committee? ________

   f. Is investment performance for endowment, working capital, and restricted funds monitored regularly? ________

4. Can the organization rely on the staff and consultants?

   a. a. Are the lawyers and accountants independent? ________

   b. Do they possess sufficient knowledge about not-for-profit organizations? ________

   c. Is the Executive Director evaluated regularly? ________

   d. Are volunteers reliable? ________

Duty of Loyalty

1. Is my oversight and supervisory role appropriate to my position, as opposed to an operational and management position? ________
2. Do I regularly attend Board meetings? Committee meetings? ________
3. Do I have allegiance to the organization? ________
4. Am I involved in a conflict of interest with the organization? ________
5. Does the organization have a policy and procedures for documenting self-interested transactions? ________
6. Are there interlocking directorates of affiliated for profit or nonprofit entities? ________
7. Is there a system for identifying new Board members? ________
8. Is there a system for the rotation of members on staggered terms? ________
9. Is there a new Board member orientation program? ________

Duty of Obedience

1. As a Board member, have I read the charter and bylaws? ________
2. Did I review the mission statement and other documents? ________
3. Am I informed about any significant contractual lawsuits or potential claims on assets? ________
4. Do I know the intended beneficiaries of the exempt activities? ________
5. Am I satisfied that resources are dedicated in accordance with the charter? ________

Managing Timesheet Documentation and Payroll Allocations

Personnel costs usually represent the largest expense in a nonprofit organization's budget. Unfortunately, it also is the most troublesome. The rules concerning support for payroll costs that are charged to governmental contracts and very specific and very strict. The Federal Circular that provides these rules states the following:

A Salaries charged to grants must be based on documented and approved payrolls.

B Reports must show the division of activities for all staff members.

C Reports must reflect a determination of the actual work done, not just a budget estimate.

D Employees must keep track of their time by activity.

E Time sheets must track the total of an employee's time, not just the portion that is charged to the government grant.

F Time sheets must be signed by the employee and/or supervisor indicating that the distribution of time is reasonable.

G Time sheets must be prepared at least monthly and must coincide with the pay periods.

Accounting for time is a task that no one enjoys, but it is mandatory for documenting the information.

Tracking time for a single activity with a single funding source.

When an employee spends all his/her time on a single grant activity, paid for by a single funding source, the completion of a time sheet is pretty easy and straightforward. The key factors in this scenario is to include the total hours worked, identification of the grant, tracking of vacation, sick and other hours and proper signatures. You may also include specific tasks performed, if this is required by the specific grant or if it is helpful from a management perspective.

Tracking time for several distinct activities.

In this example, the employee does more than one activity. The different activities are easily separated one from another. For example, a counselor may sometimes work in the office with one group of clients. This activity is funded by grant A. The counselor also works in a school setting, serving a different group of people. This second activity is funded by grant B from the school. On this employee's time sheet, the employee can easily differentiate between the two different activities and record the number of hours spent on the unique activities.

Tracking time for one activity funded by two different sources.

Now we get more complicated. Suppose you have an employee that is doing only one thing for one client population, but funds for that salary come from two different sources. This supposes that there is absolutely no difference in either the services provided or the clients receiving the services. How do you record this time and how do you show which funder is to pay for which portion of the salary?

Since the employee is required to sign the time sheet, verifying that this is an accurate distribution of their time, the time sheet should indicate the activities of the employee. Generally, this would be the one single activity as mentioned above. However, you would still want to have documentation of the fact that the employee's salary is being paid from more than one source. The split between the funding sources is not up to the employee, but rather an allocation determined along with other allocations within the organization. The management of the organization, including the accounting office, has some "reasonable basis" that was used to split that person's salary between the funding sources. This maybe that Grant X would only pay for 75% of the salary so Grant Y was obtained to pay for the remaining 25%. Since this is a somewhat arbitrary allocation that should stay consistent during the funding cycle, you could make that allocation information a part of the employee's time sheet.

Tracking time for administrative and management personnel.

This is the hardest part of tracking time, since administrative personnel may have both directly identifiable activities and those that benefit all the programs of the organization. Some staff, such as the receptionist and/or bookkeeper, may not be able to draw a direct connection to any one program for any of their time. In this case, they are similar to the example listed for a single activity with several funding sources. Management personnel will have a combination of both direct activities and those that are shared.

Reasonable Basis for Allocation for Administrative Personnel Expenses

Each organization needs to determine the best way to allocate the shared administrative personnel expenses. One way is the base this allocation on the direct personnel costs that can be specifically determined. In other words, you would take all the personnel dollars for those employees that are directly charged to grants and determine the ratio of those direct salary dollars. This ratio would then be used to allocate the administrative salaries to the grants. One of the key factors here is determining the time frame for analyzing the direct salary costs and how often the ratio needs to be updated.

allocation distribution based on historical staff distribution and allocate based on these percentages. These allocations will be adjusted at least quarterly.

Postage, Copying, Publication and Printing, Miscellaneous

Cost of these items used for direct services may be allocated to the programs benefited by that purchase.

Cost of these items used for non-direct service activities or functions may be allocated to programs based on the percentage of support it provides to the programs

Membership, subscription and professional activity costs

Cost of these items used for direct services may be allocated to the programs benefited by that expense.

Cost of these items used for non-direct service activities or functions may be allocated to programs based on the percentage of support it provides to the programs

Rental, Utility and Janitorial Costs

All occupancy costs will be allocated based on the square footage used by the various programs and activities. All common space will be allocated on the same ratio all all the direct usage costs.

Audit and Other Professional and Consulting

These costs are generally considered administrative costs and allocated based on the direct service salary ratio. Any professional services directly related to a particular program will be charged to that program.

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BUDGET FORMS

TEAJF

Pre-Grant Year Budget Revision Form

(for beginning of grant year, when awards are announced)

2000-2001 IOLTA BUDGET REVISION FORM

NAME OF ORGANIZATION:______________________________ Grant #:________ DATE:__________

..EPARED BY:____________________ PHONE:____________________ e-mail: ______________________________

REVISED BUDGET FORM*

COST CATEGORY	IOLTA FUNDS REQUESTED	IOLTA FUNDS AWARDED: PROPOSED PROGRAM COSTS BUDGET	IOLTA FUNDS AWARDED: PROPOSED ADMINISTRATIVE COSTS BUDGET	TOTAL PROPOSED BUDGET
PERSONNEL:				
1. Lawyers No. ____				
2. Paralegals No. ___				
3. Others No. ____				
Salary Subtotal				
4. Employee Benefits				
TOTAL PERSONNEL				
NON-PERSONNEL:				
5. Space				
6. Equipment Rental				
7. Supplies				
8. Telephone				
9. Travel				
10. Training				
11. Library				
12. Insurance				
13. Audit				
14. Litigation				
15. Capital Additions (Specify)				
16. Contractual Services (Specify)				
17. Other (Specify)				
TOTAL NON-PERSONNEL				
GRAND TOTAL				

*Please refer to Explanation of Categories on reverse side when completing this Revised Budget Form.

NOTE: A Budget Narrative MUST be submitted along with this form. A Budget Narrative is a brief, but specific, explanation or description of intended expenditures for each line item for which funds have been granted. Failure to provide this information may result in a delay in consideration of your budget revision request, which may result in a delay in the release of your 1st check.

Explanation of Categories

Lawyers: This category should include all salaries and wages paid to program attorneys, whether employed directly or supervised by the program, and whether part-time, full-time, or temporary.

alegals: This category should include salaries and wages paid to program paralegals (non-attorney case handlers), whether employed ɑirectly or supervised by the program, and whether part-time, full-time, or temporary. Paralegals are persons whose duties consist primarily of such activities as intake interviewing, case investigations, checking court records, legal research, client representation in administrative matters, and outreach and community work.

Other Staff: This category should include salaries and wages paid to all other program staff, whether employed directly or supervised by the program, whether administrative/clerical staff, students, or others, and whether part-time, full-time or temporary.

Employee Benefits: This category should include the typical fringe benefits paid on behalf of employees, such as retirement, FICA, health and life insurance, worker's compensation, unemployment insurance, and other payroll-related costs.

Space: This category includes rent, debt service, utility payments, maintenance and janitorial expenses.

Equipment Rental: This category includes lease or rental expenses for office furniture, fixtures, and equipment (except telephone). It also includes maintenance costs for that equipment whether pursuant to a service contract or individual repair bills.

Office Supplies and Expenses: This category includes all basic office accessories and supplies, including material used in copiers. Printing and postage are included in this category. All equipment purchases under $100 may be placed under this line item.

Telephone: This category includes rental of telephone equipment and long distance calls. Similar and related expenses such as fax or other telecommunications should be included as well.

Program Travel: This category includes travel expenses directly related to specific client matters, circuit riding, administration of the program, etc. While most travel expenses will be local or intrastate, interstate travel may also be included here.

Training: All non-personnel costs, to be paid for with regular program funds, associated with training or continuing education of staff embers should be included here. Examples would be: travel to/from training events, per diem, conference registration fees or tuition, ırchase of training materials, rent for facilities used in a training event, etc. Materials or equipment purchased for training with a value in excess of $100 should be reported under "Capital Additions." No program personnel costs should be included here.

Library: This category includes expenses for the maintenance of office libraries, including subscriptions to periodicals, books, reference materials, and multiple volume sets of law books. Additions to the library holdings over $100 should be included under "Capital Additions."

Insurance: This category includes professional liability insurance, bonding, property insurance (fire and theft), and liability insurance for property and automobiles.

Audit: This category includes expenses for auditors.

Litigation: This category includes court costs, witness fees, expert witness expenses, sheriff fees, copying fees, and other expenses incurred but not recovered in litigation on behalf of eligible clients.

Capital Additions: This category includes equipment and library purchases over $100 per item and other major expenses which occur infrequently (e.g. major renovation). However, provide a separate footnote for any purchase in excess of $500.

Contract Services: This category includes two categories: one for payments to others who provide legal services for clients and the other for services to the program itself, such as legal counsel for program management, consultant fees exclusive of those paid for training, payments to computer service bureau, bookkeeping or other accounting services, etc. If the total in this category is over $2,000, itemize those individual costs in excess of $250.

Other: This category includes all program expenses not included above. Specify each cost included in "Other."

2000-2001 BCLS BUDGET REVISION FORM

NAME OF ORGANIZATION/ PROJECT:______________________________ DATE:__________

PREPARED BY:____________________ PHONE:__________________ e-mail: ______________

REVISED BUDGET FORM*

COST CATEGORY	BCLS FUNDS REQUESTED	BCLS FUNDS AWARDED: PROPOSED PROGRAM COSTS BUDGET	BCLS FUNDS AWARDED: PROPOSED ADMINISTRATIVE COSTS BUDGET	BCLS FUNDS AWARDED: TOTAL PROPOSED BUDGET
PERSONNEL:				
1. Lawyers No. ____				
2. Paralegals No. ____				
3. Others No. ____				
Salary Subtotal				
4. Employee Benefits				
TOTAL PERSONNEL				
NON-PERSONNEL:				
Space				
6. Equipment Rental				
7. Supplies				
8. Telephone				
9. Travel				
10. Training				
11. Library				
12. Insurance				
13. Audit				
14. Litigation				
15. Capital Additions (Specify)				
16. Contractual Services (Specify)				
17. Other (Specify)				
TOTAL NON-PERSONNEL				
GRAND TOTAL				

*Please refer to Explanation of Categories on reverse side when completing this Revised Budget Form.

NOTE: A Budget Narrative MUST be submitted along with this form. A Budget Narrative is a brief, but specific, explanation or description of intended expenditures for each line item for which funds have been granted. Failure to provide this information may result in a delay in consideration of your budget revision request, which may result in a delay in the release of your 1st check.

Explanation of Categories

Lawyers: This category should include all salaries and wages paid to program attorneys, whether employed directly or supervised by the program, and whether part-time, full-time, or temporary.

Paralegals: This category should include salaries and wages paid to program paralegals (non-attorney case handlers), whether employed directly or supervised by the program, and whether part-time, full-time, or temporary. Paralegals are persons whose duties consist primarily of such activities as intake interviewing, case investigations, checking court records, legal research, client representation in administrative matters, and outreach and community work.

Other Staff: This category should include salaries and wages paid to all other program staff, whether employed directly or supervised by the program, whether administrative/clerical staff, students, or others, and whether part-time, full-time or temporary.

Employee Benefits: This category should include the typical fringe benefits paid on behalf of employees, such as retirement, FICA, health and life insurance, worker's compensation, unemployment insurance, and other payroll-related costs.

Space: This category includes rent, debt service, utility payments, maintenance and janitorial expenses.

Equipment Rental: This category includes lease or rental expenses for office furniture, fixtures, and equipment (except telephone). It also includes maintenance costs for that equipment whether pursuant to a service contract or individual repair bills.

Office Supplies and Expenses: This category includes all basic office accessories and supplies, including material used in copiers. Printing and postage are included in this category. All equipment purchases under $100 may be placed under this line item.

Telephone: This category includes rental of telephone equipment and long distance calls. Similar and related expenses such as fax or other telecommunications should be included as well.

Program Travel: This category includes travel expenses directly related to specific client matters, circuit riding, administration of the program, etc. While most travel expenses will be local or intrastate, interstate travel may also be included here.

Training: All non-personnel costs, to be paid for with regular program funds, associated with training or continuing education of staff members should be included here. Examples would be: travel to/from training events, per diem, conference registration fees or tuition, purchase of training materials, rent for facilities used in a training event, etc. Materials or equipment purchased for training with a value in excess of $100 should be reported under "Capital Additions." No program personnel costs should be included here.

Library: This category includes expenses for the maintenance of office libraries, including subscriptions to periodicals, books, reference materials, and multiple volume sets of law books. Additions to the library holdings over $100 should be included under "Capital Additions."

Insurance: This category includes professional liability insurance, bonding, property insurance (fire and theft), and liability insurance for property and automobiles.

Audit: This category includes expenses for auditors.

Litigation: This category includes court costs, witness fees, expert witness expenses, sheriff fees, copying fees, and other expenses incurred but not recovered in litigation on behalf of eligible clients.

Capital Additions: This category includes equipment and library purchases over $100 per item and other major expenses which occur infrequently (e.g. major renovation). However, provide a separate footnote for any purchase in excess of $500.

Contract Services: This category includes two categories: one for payments to others who provide legal services for clients and the other for services to the program itself, such as legal counsel for program management, consultant fees exclusive of those paid for training, payments to computer service bureau, bookkeeping or other accounting services, etc. If the total in this category is over $2,000, itemize those individual costs in excess of $250.

Other: This category includes all program expenses not included above. Specify each cost included in "Other."

2000-2001 BCLS ANNUAL CERTIFICATION

September 1, 2000 – August 31, 2001

By signing the 2000-2001 BCLS Grant Agreement, I hereby certify that the organization named below will act in accordance with the Grant Agreement; Chapter 51, Government Code, Subchapter J ("the Act"); and the Rules and Procedures Governing the Administration of the Basic Civil Legal Services Program, Including the Distribution of and Sanctions with respect to the Funds ("the Rules"). I further certify that, in compliance with Rule 9.4 (i), that no BCLS Funds will be used for any activities prohibited by the Act or the Rules.

____
Name of Organization

______________________________________ ______________
Signature of Executive Director Date

____
Name of Executive Director

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Mid-Grant Year Budget Revision Form

DIRECTIONS:

Column 1 - Approved Annual Program Budget
s column must be identical to the budget already approved by the Foundation. It must be presented in its entirety, not just the line items you are requesting to revise.

Column 2 - Changes Requested
This column must reflect increases and (decreases) in specific categories. The Total of this column **MUST BE ZERO.** If you are revising both your Program and Administrative Budgets, then the net of Column 2 must be zero.

Column 3 - Revised Program Budget
This is a line-by-line aggregation of Columns 1 and 2.

NOTE: The Total of Column 1 **MUST EQUAL** the Total of Column 3.

EXAMPLE: (Please note: This example if for illustrative purposes only and does not imply such budget revisions will be approved by the Foundation.)

	Approved Annual Program Budget	Changes Requested	Revised Program Budget
Lawyers	$3,000		$3,000
Supplies	1,500	100	1,600
Telephone	1,000	500	1,500
Capital additions	4,000	<600>	3,400
TOTAL	$9,500	$ -0-	$9,500

NAME OF ORGANIZATION:____________________ **Grant #:**________ **DATE:**________

PREPARED BY:____________________ **PHONE:**________________ **e-mail:** ________________

BUDGET REVISION WORKSHEET FOR <u>ADMINISTRATIVE</u> COSTS
FOR 2000-2001 BCLS GRANTEES*

<u>COST CATEGORY</u>	APPROVED ANNUAL ADMIN BUDGET	CHANGES REQUESTED	REVISED ADMIN BUDGET
<u>PERSONNEL:</u>			
1. Lawyers No. ____			
2. Paralegals No. ___			
3. Others No. ____			
Salary Subtotal			
4. Employee Benefits			
TOTAL PERSONNEL			
<u>NON-PERSONNEL:</u>			
5. Space			
6. Equipment Rental			
Supplies			
8. Telephone			
9. Travel			
10. Training			
11. Library			
12. Insurance			
13. Audit			
14. Litigation			
15. Capital Additions (Specify)			
16. Contractual Services (Specify)			
17. Other (Specify)			
TOTAL NON-PERSONNEL			
GRAND TOTAL			

* A narrative fully explaining this Budget Revision request, the reasons for it, why it is necessary and its effect on your organization, <u>MUST</u> be submitted along with this form. (See General Grant Provision VI.6.01.) Failure to provide the required information may result in delay in consideration of your request or a denial of your proposed Budget Revision.

**Directions for filling out this form are on the back.

DIRECTIONS:

Column 1 - Approved Annual Program Budget
column must be identical to the budget already approved by the Foundation. It must be presented in its entirety, not just the line items you are requesting to revise.

Column 2 - Changes Requested
This column must reflect increases and (decreases) in specific categories. The Total of this column **MUST BE ZERO.** If you are revising both your Program and Administrative Budgets, then the net of Column 2 must be zero.

Column 3 - Revised Program Budget
This is a line-by-line aggregation of Columns 1 and 2.

NOTE: The Total of Column 1 **MUST EQUAL** the Total of Column 3.

EXAMPLE: (Please note: This example if for illustrative purposes only and does not imply such budget revisions will be approved by the Foundation.)

	Approved Annual Program Budget	Changes Requested	Revised Program Budget
Lawyers	$3,000		$3,000
Supplies	1,500	100	1,600
Telephone	1,000	500	1,500
Capital additions	4,000	<600>	3,400
TOTAL	$9,500	$ -0-	$9,500

NAME OF ORGANIZATION:____ **Grant #:**_________ **DATE:**___________

PREPARED BY:________________________ **PHONE:**______________________ **e-mail:** _________________________

BUDGET REVISION WORKSHEET FOR PROGRAM COSTS
FOR 2000-2001 IOLTA GRANTEES*

COST CATEGORY	APPROVED ANNUAL PROGRAM BUDGET	CHANGES REQUESTED	REVISED PROGRAM BUDGET
PERSONNEL:			
1. Lawyers No. ____			
2. Paralegals No. ___			
3. Others No. ____			
Salary Subtotal			
4. Employee Benefits			
TOTAL PERSONNEL			
NON-PERSONNEL:			
5. Space			
6. Equipment Rental			
,upplies			
8. Telephone			
9. Travel			
10. Training			
11. Library			
12. Insurance			
13. Audit			
14. Litigation			
15. Capital Additions (Specify)			
16. Contractual Services (Specify)			
17. Other (Specify)			
TOTAL NON-PERSONNEL			
GRAND TOTAL			

* A narrative fully explaining this Budget Revision request, the reasons for it, why it is necessary and its effect on your organization, MUST be submitted along with this form. (See General Grant Provision VI.6.01.) Failure to provide the required information may result in lelay in consideration of your request or a denial of your proposed Budget Revision.

**Directions for filling out this form are on the back.

DIRECTIONS:

Column 1 - Approved Annual Program Budget
This column must be identical to the budget already approved by the Foundation. It must be presented in its entirety, not just the line items you are requesting to revise.

Column 2 - Changes Requested
This column must reflect increases and (decreases) in specific categories. The Total of this column **MUST BE ZERO.** If you are revising both your Program and Administrative Budgets, then the net of Column 2 must be zero.

Column 3 - Revised Program Budget
This is a line-by-line aggregation of Columns 1 and 2.

NOTE: The Total of Column 1 **MUST EQUAL** the Total of Column 3.

EXAMPLE: (Please note: This example if for illustrative purposes only and does not imply such budget revisions will be approved by the Foundation.)

	Approved Annual Program Budget	Changes Requested	Revised Program Budget
Lawyers	$3,000		$3,000
Supplies	1,500	100	1,600
Telephone	1,000	500	1,500
Capital additions	4,000	<600>	3,400
TOTAL	$9,500	$ -0-	$9,500

NAME OF ORGANIZATION:________________________ **Grant #:**________ **DATE:**__________

PREPARED BY:____________________ **PHONE:**____________________ **e-mail:** ____________________

BUDGET REVISION WORKSHEET FOR ADMINISTRATIVE COSTS
FOR 2000-2001 IOLTA GRANTEES*

COST CATEGORY	APPROVED ANNUAL ADMIN. BUDGET	CHANGES REQUESTED	REVISED ADMIN. BUDGET
PERSONNEL:			
1. Lawyers No. ____			
2. Paralegals No. ___			
3. Others No. ____			
Salary Subtotal			
4. Employee Benefits			
TOTAL PERSONNEL			
NON-PERSONNEL:			
5. Space			
6. Equipment Rental			
Supplies			
8. Telephone			
9. Travel			
10. Training			
11. Library			
12. Insurance			
13. Audit			
14. Litigation			
15. Capital Additions (Specify)			
16. Contractual Services (Specify)			
17. Other (Specify)			
TOTAL NON-PERSONNEL			
GRAND TOTAL			

* A narrative fully explaining this Budget Revision request, the reasons for it, why it is necessary and its effect on your organization, MUST be submitted along with this form. (See General Grant Provision VI.6.01.) Failure to provide the required information may result in delay in consideration of your request or a denial of your proposed Budget Revision.

**Directions for filling out this form are on the back.

DIRECTIONS:

Column 1 - Approved Annual Program Budget
column must be identical to the budget already approved by the Foundation. It must be presented in its entirety, not just the line items y.. are requesting to revise.

Column 2 - Changes Requested
This column must reflect increases and (decreases) in specific categories. The Total of this column **MUST BE ZERO.** If you are revising both your Program and Administrative Budgets, then the net of Column 2 must be zero.

Column 3 - Revised Program Budget
This is a line-by-line aggregation of Columns 1 and 2.

NOTE: The Total of Column 1 **MUST EQUAL** the Total of Column 3.

EXAMPLE: (Please note: This example if for illustrative purposes only and does not imply such budget revisions will be approved by the Foundation.)

	Approved Annual Program Budget	Changes Requested	Revised Program Budget
Lawyers	$3,000		$3,000
Supplies	1,500	100	1,600
Telephone	1,000	500	1,500
Capital additions	4,000	<600>	3,400
TOTAL	$9,500	$ -0-	$9,500

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Quarterly Report Forms

Texas Equal Access to Justice Foundation

2000-2001 **IOLTA** GRANT -- QUARTERLY REPORT

Organization/Project:____

Grant #:____________ Award: $__________

Report Prepared By: ______________________ Phone: ________________ e-mail:________________

A. EXPENDITURE OF **IOLTA** FUNDS DURING QUARTER ENDED ________________

COST CATEGORY	PROGRAM	ADMINISTRATIVE	TOTAL
Personnel:			
Lawyers			
Paralegals			
Others			
Salary Subtotal			
Employee Benefits:			
Total Personnel			
Non-Personnel:			
Space			
Equipment Rental			
Supplies			
Telephone			
Travel			
Training			
Library			
Insurance			
Audit			
Litigation			
Capital Additions			
Contractual Service			
Other (specify)			
Total Non-Personnel			
GRAND TOTAL			

1. If you have overspent or underspent IOLTA funds during the quarter, please provide a brief explanation.

2. Financial Institution(s) where the IOLTA funds are deposited:
   a. Name:
   b. City

3. Terms of the depository account:
   a. Type of account
   b. Interest rate

B. Summary of Year-to-Date **IOLTA** Expenditures as of: ______________________________

COST CATEGORY	PROGRAM		ADMINISTRATIVE		TOTAL	
	Approved Program Budget	Y-T-D Program Expenditures	Approved Administrative Budget	Y-T-D Administrative Expenditures	Approved Annual Budget	Y-T-D Total Expenditures
Personnel:						
Lawyers						
Paralegals						
Others						
Salary Subtotal						
Employee Benefits:						
Total Personnel						
Non-Personnel:						
Space						
Equipment Rental						
Supplies						
Telephone						
Travel						
Training						
Library						
Insurance						
Audit						
Litigation						
Capital Additions						
Contractual Service						
Other (specify)						
Total Non-Personnel						
GRAND TOTAL						

Texas Equal Access to Justice Foundation

2000-2001 **BCLS** GRANT -- QUARTERLY REPORT

rganization/Project:____

Grant #:___________ Award: $_________

Report Prepared By: ________________________ Phone: __________________ e-mail:_________________

A. EXPENDITURE OF **IOLTA** FUNDS DURING QUARTER ENDED _________________

COST CATEGORY	PROGRAM	ADMINISTRATIVE	TOTAL
Personnel:			
Lawyers			
Paralegals			
Others			
Salary Subtotal			
Employee Benefits:			
Total Personnel			
Non-Personnel:			
Space			
Equipment Rental			
Supplies			
Telephone			
Travel			
Training			
Library			
Insurance			
Audit			
Litigation			
Capital Additions			
Contractual Service			
Other (specify)			
Total Non-Personnel			
GRAND TOTAL			

1. If you have overspent or underspent IOLTA funds during the quarter, please provide a brief explanation.

2. Financial Institution(s) where the IOLTA funds are deposited:

   a. Name:

   b. City

3. Terms of the depository account:

   a. Type of account

   b. Interest rate

B. Summary of Year-to-Date **BCLS** Expenditures as of: ____________________

COST CATEGORY	PROGRAM		ADMINISTRATIVE		TOTAL	
	Approved Program Budget	Y-T-D Program Expenditures	Approved Administrative Budget	Y-T-D Administrative Expenditures	Approved Annual Budget	Y-T-D Total Expenditures
Personnel:						
Lawyers						
Paralegals						
Others						
Salary Subtotal						
Employee Benefits:						
Total Personnel						
Non-Personnel:						
Space						
Equipment Rental						
Supplies						
Telephone						
Travel						
Training						
Library						
Insurance						
Audit						
Litigation						
Capital Additions						
Contractual Service						
Other (specify)						
Total Non-Personnel						
GRAND TOTAL						

2000-2001 BCLS QUARTERLY CERTIFICATION

FIRST QUARTER (September 1, 2000 – November 30, 2001)

I hereby certify that the organization named below, a recipient of Basic Civil Legal Services (BCLS) Funds, has acted in accordance with the Grant Agreement; the BCLS General Grant Provisions; Chapter 51, Government Code, Subchapter J ("the Act"); and the Rules and Procedures Governing the Administration of the Basic Civil Legal Services Program, Including the Distribution of and Sanctions with respect to the Funds ("the Rules") during the quarter ended **November 30, 2000.** I further certify that, in compliance with Rule 9.4 (i), that no BCLS Funds were used for any activities prohibited by the Act or the Rules.

____
Name of Organization

______________________________ ______________
Signature of Executive Director Date

____
Name of Executive Director

2000-2001 BCLS QUARTERLY CERTIFICATION

SECOND QUARTER (December 1, 2000 – February 28, 2001)

I hereby certify that the organization named below, a recipient of Basic Civil Legal Services (BCLS) Funds, has acted in accordance with the Grant Agreement; the BCLS General Grant Provisions; Chapter 51, Government Code, Subchapter J ("the Act"); and the Rules and Procedures Governing the Administration of the Basic Civil Legal Services Program, Including the Distribution of and Sanctions with respect to the Funds ("the Rules") during the quarter ended **February 28, 2001.** I further certify that, in compliance with Rule 9.4 (i), that no BCLS Funds were used for any activities prohibited by the Act or the Rules.

____
Name of Organization

______________________________ ______________
Signature of Executive Director Date

____
Name of Executive Director

2000-2001 BCLS QUARTERLY CERTIFICATION

THIRD QUARTER (March 1, 2001 – May 31, 2001)

I hereby certify that the organization named below, a recipient of Basic Civil Legal Services (BCLS) Funds, has acted in accordance with the Grant Agreement; the BCLS General Grant Provisions; Chapter 51, Government Code, Subchapter J ("the Act"); and the Rules and Procedures Governing the Administration of the Basic Civil Legal Services Program, Including the Distribution of and Sanctions with respect to the Funds ("the Rules") during the quarter ended **May 31, 2001.** I further certify that, in compliance with Rule 9.4 (i), that no BCLS Funds were used for any activities prohibited by the Act or the Rules.

____
Name of Organization

______________________________ ______________
Signature of Executive Director Date

____
Name of Executive Director

2000-2001 BCLS QUARTERLY CERTIFICATION

FOURTH QUARTER (June 1, 2001 – August 31, 2001)

I hereby certify that the organization named below, a recipient of Basic Civil Legal Services (BCLS) Funds, has acted in accordance with the Grant Agreement; the BCLS General Grant Provisions; Chapter 51, Government Code, Subchapter J ("the Act"); and the Rules and Procedures Governing the Administration of the Basic Civil Legal Services Program, Including the Distribution of and Sanctions with respect to the Funds ("the Rules") during the quarter ended **August 31, 2001.** I further certify that, in compliance with Rule 9.4 (i), that no BCLS Funds were used for any activities prohibited by the Act or the Rules.

____
Name of Organization

______________________________________ ______________
Signature of Executive Director Date

____
Name of Executive Director

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Carryover Forms

1999-2000 Budget of Unspent Funds - Report anticipated unspent funds from your most recent Approved Annual Budget in the appropriate cost categories.

Proposed Carryover Budget - Report carryover funds in the applicable cost categories. It is not required that unspent (1997-98) funds in a particular cost category be carried over to the same cost

Example:

	1999-2000 Budget of Unspent Funds	Proposed Carryover Budget
Lawyer's salary	$ -	$ 2,300
Supplies	$ 300	$ -
Travel	$ 1,000	$ -
Training	$ -	$ -
Capital additions	$ 1,000	$ -
*Total	$ 2,300	$ 2,300

*Note: This Total is Total Unspent Funds, that is, Anticipated Carryover, NOT your total 1999-2000 IOLTA grant. This budget must be accompanied by a budget narrative and a written explanation of the circumstances that resulted in your under-expenditure of IOLTA funds.

NAME OF ORGANIZATION:____

DATE:____________________ PREPARED BY:______________________________________

BCLS CARRYOVER BUDGET FORM
FOR 1999-2000 **BCLS** GRANTEES

COST CATEGORY	1999-2000 BUDGET OF UNSPENT FUNDS	PROPOSED CARRYOVER BUDGET
PERSONNEL:		
Lawyers No.______		
ParalegalsNo. ______		
Others No. ______		
Salary Subtotal	**0**	**0**
Employee benefits		
TOTAL PERSONNEL	**0**	**0**
NON-PERSONNEL:		
Space	0	0
Equipment rental	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Training	0	0
Library	0	0
Insurance	0	0
Audit	0	0
Litigation	0	0
Capital additions (Specify)	0	0
Contractual services (Specify)	0	0
Other (Specify)	0	0
TOTAL NON-PERSONNEL	**0**	**0**
GRAND TOTAL	**0**	**0**

Please see explanation on back.

1999-2000 Budget of Unspent Funds - Report anticipated unspent funds from your most recent Approved Annual Budget in the appropriate cost categories.

Proposed Carryover Budget - Report carryover funds in the applicable cost categories. It is not required that unspent (1997-98) funds in a particular cost category be carried over to the same cost

Example:

	1999-2000 Budget of Unspent Funds	Proposed Carryover Budget
Lawyer's salary	$ -	$ 2,300
Supplies	$ 300	$ -
Travel	$ 1,000	$ -
Training	$ -	$ -
Capital additions	$ 1,000	$ -
*Total	$ 2,300	$ 2,300

*Note: This Total is Total Unspent Funds, that is, Anticipated Carryover, NOT your total 1999-2000 IOLTA grant. This budget must be accompanied by a budget narrative and a written explanation of the circumstances that resulted in your under-expenditure of IOLTA funds.