Let’s Talk Internal Financial Reporting
Presentation for USCJ Webinar
October 20, 2021

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Top Five Suggestions

- Link your CRM to your general ledger and post daily. Link your payroll system to your general ledger and post with every payroll.
- Reconcile your bank accounts monthly, within 5 days of month end. Review the reconciliations and tie them to the bank statements. Investigate anything over 1 month old.
- Input your budget into your general ledger system and spread it by month
- Use your CRM system for information, don’t try to generate everything from the general ledger
- Scrutinize your mapping. Donations should be on a cash basis, especially restricted funds that are thinly funded.
Segregate your restricted fund activity from your general (unrestricted) fund activity in your reports

Less is more. 300 to 400 general ledger accounts is enough

Organize your chart of accounts by area (fundraising, religious school, etc) using roll up accounts. Alphabetical is not a system

If you are a QuickBooks user, don’t use more than 10 class codes.

Generate your monthly reports monthly, within 30 days of the end of the month
Next Five

- Don’t post to roll up accounts
- Don’t include auxiliary activity or discretionary activity as part of your general fund
- Prepare a current vs actual report and a budget vs actual report on a detail and summary basis. Only share the summary level report
- Review your activity for mis-postings prior to generating the month end reports for the finance committee
- Review your balance sheet for mis-postings monthly
Reporting Packages

- **Monthly Package**
  - *Budget vs. Actual (YTD)*
    - Explanations of large variances, Permanent vs. timing
  - *Current vs. Prior Year (YTD)*
    - Explanations of large variances, Permanent vs. timing
Reporting Packages (cont’d)

- **Balance Sheet**
  - Discussion of burn rate vs available cash
- **Accounts Receivable aging**
  - Update large past due amounts
- **Member Count and break down by member type**
- **Rollforward of Member Count from beginning of year by month**
  - Same information for schools broken down by grade
- **If you have a Capital Campaign:**
  - Status of pledges, collectability of pledges
  - Status of expenditures and variance from budget
  - Discussion of financing for project if appropriate
Reporting Packages (cont’d)

- **Quarterly Package**
  - Everything in the monthly package plus
  - Roll-Forward from beginning of year each of the funds
  - Give details of expenses. Sometimes including the names of contributors is appropriate
  - Forecast for the year if it is significantly different from the budget

- **Annual Package**
  - Everything in the Quarterly package
  - Budget for upcoming year including details to assumptions
    - Dues and tuition rates
    - Member and student estimates
    - Staff head counts and raise and bonus percentages, if any
    - Significant assumptions (for example a fundraiser gala that will net $100,000, the hiring of new clergy, etc)
  - Comparison of prior year’s budget v actual to upcoming budget and discussion of key differences and important assumptions that may be hard to achieve
  - Accounts receivable write offs
Reporting Packages (cont’d)

- If the clergy have their own separate discretionary bank accounts, discuss the conclusion of the finance committee’s review of the activity for the past year

- Things to Remember when Generating Reports
  - Don’t create reports that have dozens of pages of details. Prepare summarized reports and interpret the results for your audience based on your review of the dozens of pages of details
  - Review the financial information ahead of time. Give yourself time to review the information. There may be a mistake or a mis-posting that needs to be corrected before you prepare the reports
  - Tie the current month’s reports to the prior month’s reports. Be ready to explain any differences (there can legitimately be differences)
Accounting Methods

- **Accrual**
  - All revenues must be booked as revenue when pledged or earned.
  - Future pledges must be booked using present value calculations
  - Expenses are recorded when incurred, which may differ significantly from when paid.

- **Cash**
  - Revenue is recorded when received
  - Expenses are recorded when paid

- **Modified Cash**
  - Revenues are recorded when received, except revenues received this fiscal year that are for a future fiscal year are deferred to the future year and recorded in the future year.
  - Expenses are recorded when incurred, which may differ significantly from when paid.
Accounting Methods – Pros and Cons

**Accrual**

*Pros*
- It will make your CPA happy

*Cons*
- No one else in the room will understand the reports
- Much harder to use to run your synagogue

**Cash**

*Pros*
- Very easy for finance committee to understand
- Easy to project cash flow

*Cons*
- If you get an audit, you will have to convert to full accrual

**Modified Cash**

*Pros*
- Generally tracks how synagogue budgets are prepared
- Easy to project cash flow

*Cons*
- If you get an audit, you will have to convert to full accrual