

**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.

Next Five

- 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 the 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



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