Agenda

- Accounting types and methods
- Accounting systems
- Audits
- Property Operations
- Grants
- Software/Vendor Selection
- Software Implementation Considerations
- Q&A
Accounting Types and Methods
Accounting Types

Which type of Entity are you?
• For Profit? Not for Profit? Governmental Unit?

Do you have tax obligations?

Does that affect your software selection considerations?
Accounting Methods

Which type of accounting method will you use?

- Cash Method?
- Accrual Method?
- Modified Accrual Method?
• Accounting Resource
  – Governmental Accounting, Auditing and Financial Reporting. Book by Stephen Gauthier; published by the “Government Finance Officers Association”, Chicago, IL
Accounting Systems
General Accounting Systems

If there is no need to track grants over multiple accounting periods.

If there is no requirement otherwise by auditors or granting agencies.

Be very careful before selecting these systems that you will not need a Fund Accounting system anytime in future.
Fund Accounting Systems

If there may be a possibility you will need to track grants over multiple accounting periods

Especially needed if you may have multiple grants at the same time

This will make work easier for internal, external and audit reporting
Audits
Determine if you will need an audit each year

Ask your accounting firm or determine with your Executive Director

Your bank or some regulatory entities may require you to have an audit
If you do need an audit

You will need to setup internal systems and procedures that will withstand audit

You will likely have to run a manual or simple accounting system for operations if you start before a more formal financial system is ready. This may require more time be added to your implementation schedule

Meet with the auditors to determine what they will be asking for when the audit were to start. This way you can be working toward accumulating this data once you get operational

Ask the auditors for their advice in setting up your systems. They have seen many good and not so good things from their audit clients. Best to learn from some else’s mistakes rather than yours
If you do not need an audit

Work with an outside accounting form to help you set up your systems and procedures, accounting systems, and to get suggestions on setting up a new organization.

Remember, you may become an audited entity in later years. Just getting a loan or line of credit could be enough to require an audit. Don’t get surprised by this as it happens.
Audit Items

“Federal Schedule” – listing of federal grants and monies received

Many unusual items required that can lead to be written up on reports

Must publish fact that audit has been done and is available for review

Cannot purchase alcoholic beverages with corporate funds, even at business meetings or dinners.
• Audit Resource
  – Local Government Services – Division of Ohio Auditors Department
Property Operations
Capitalize vs. Expended

We only capitalize the property acquisition costs, not later costs.

We do not depreciate any properties we take in unless we lease it out.

Auditors capitalize property maintenance costs only certain reports.
Acquisitions and Demolitions

We take approximately 1,500 properties per year

We demolish approximately 900 per year

We pay approximately $7000 per demo plus $2000 for asbestos and other costs including inspections
Property Rehabilitations and Sales

We presently rehabilitate approx 15 properties per year.

We sell many properties using “Deed in Escrow” methodology.

We use side lot programs, transferring lots to cities, and sales to other non-profit entities.
Property Field Service

Initial cost to inspect, board up, and secure a property is approximately $600

We pay approx. $100/month for grass cutting, calls to property etc.

Consider the pressure on your finances by holding too many properties for too long a time period. It could cause you to have to curtail operations.
Insurance

- Liability for all; property damage = over our $5,000 deductible amount.
- Be careful on any rehab houses done or in progress

Vendor Qualifications

- We have a strict pre-qualification procedure for new vendors
- Be sure to get their insurance/license copies and follow up on renewals
Grants
# Federal Grants

<table>
<thead>
<tr>
<th>Grants</th>
<th>End Date</th>
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<tbody>
<tr>
<td>Neighborhood Stabilization Program (NSP) 1</td>
<td>Over</td>
</tr>
<tr>
<td>NSP 2</td>
<td>Feb. 2013</td>
</tr>
<tr>
<td>NSP 3</td>
<td>2014</td>
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<tr>
<td>US EPA Grant</td>
<td>2014</td>
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## Other Grants

<table>
<thead>
<tr>
<th>Grants</th>
<th>End Date</th>
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<tbody>
<tr>
<td>Moving Ohio Forward Grant (Ohio AG)</td>
<td>2014</td>
</tr>
<tr>
<td>EDI Grant</td>
<td>Over</td>
</tr>
</tbody>
</table>
How do you predict your future grant funding?

- You don’t!
- So you have to be prepared to scale down upcoming operations if grants don’t come through
- You will have to have funds available to pay for property maintenance in spite of grant slowdowns
Software/Vendor Selection
Software/Vendor System Criteria

Have your overall entity plans and desires finalized and agreed to

Try to look as far down the road as possible

Include not only agreed functions but also alternatives and possibilities

This may include demolitions, rehabs, rentals, leasing, financing etc
Software/Vendor System Criteria

Create a request for quote for vendor selection or de-selection

Be prepared to adjust this form to include items of interest brought up by initial vendor discussions

Make a list of “Must Haves” and “Can’t Haves” – Deal killers

Try to setup a system of weighted scores by category for each vendor system
Software/Vendor System Criteria

- Look for vendors who are mature and financially strong.
- Better they buy-out other vendors than be bought out by others.
- Look for excellent support and training systems availability.
- Try not to be in a position to require software modifications. This may make you less supportable for future upgrades.
Software/Vendor System Criteria

Does the software prepare your unique (ex: fund) financial statements?

Does the software make it easy to prepare your usual financial statement formats?

The vendor should let you speak to users similar to your entity. Set up questions for them preferably on a conference call with your staff. Ask if the vendor has kept promises and done as they said they would.
Software/Vendor System Criteria

- Purchase or “rent” software? - ask about monthly payments vs. outright purchase
- Software hosted or on site? - if hosted, determine data safety and backup procedures
- Chart of Accounts – is the software flexible enough to meet your needs?
- Reports capabilities – may be supported by “Queries”, “F9”, and/or “Crystal Reports”
- See if these functions are offered as training by the software vendor
Partial List – Software Sources Listed by CPA Practice Advisor Magazine

- AccuFund, Inc.
- Araize FastFund Nonprofit Software
- CentrePoint Fund Accounting Software
- Cougar Maintain Software
- CYMA Systems, Inc.
- Donald R. Frey and Company, Inc.
- Financial Edge – Blackbaud, Inc. (has fundraising and other modules available)
- Fund E-Z Nonprofit Accounting Software
- GMS Accounting and Financial Management/Reporting System
- Quickbooks for Not-for-Profit Organizations
- Sage Software
- Serenic Navigator
- Small City Solutions/Boyd Software Co.
- United Systems Technology Inc./Asyst
Software Implementation Considerations
## Implementation Timing Selected

<table>
<thead>
<tr>
<th>Give yourself more time than you think you will need</th>
<th>Determine when to start software thing</th>
</tr>
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<tbody>
<tr>
<td>• This partly depends on how much history you want to capture in the new system and if that crosses a fiscal year</td>
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<td>• Recommended: do not rush to get started at the beginning of a year</td>
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<td>• Strike a balance between starting training without having used the software and starting usage untrained. I suggest a blend; get the vendor recommendation on this.</td>
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Implementation Timing Selected

- Give yourself time for questions, discussions, planning, changes, and modular implementations
- Consider sending a team to formal training at a vendor site with other new users
- Get the vendor sample database for practice during training, if available
Other Implementation Considerations

Try to get help during implementation if you have stated operations – trying to do implementation and operations together will be difficult and frustrating.

Look to have implementation assistance included in the deal by the vendor.
Thank You

Questions?