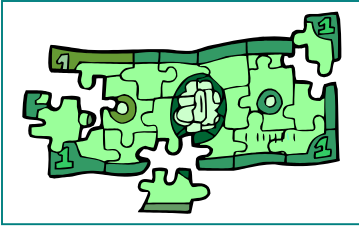


ROCK SOLID ADMINISTRATIVE SERVICES

BASIC FINANCIAL MANAGEMENT



Financial management is a key tool in developing a successful business or ministry. Most endeavors that you undertake will require some sort of financial management strategy. Financial success and accountability will bring respect to a ministry or business. The person, business or ministry that walks in financial

integrity will be recognized and trusted! Good financial management is vital in communicating organizational excellence and integrity. If your objective evaluation of your business or ministry is lacking in any of the areas discussed in this section, investigate website services provided by **Rock Solid Administrative Services**.

Every organization is going to have its own special situations, and the final version of the financial management system will be unique. However, this section will address the basic principles of accounting that will apply to all organizations. **Rock Solid Administrative Services** recommends that every organization investigate computer software packages to determine the one best suited for its needs.

If you are an organization with less than a \$100,000 budget and if you are unsure about accurate finance record-keeping, maintaining payroll, lack adequate support staff, governmental filing requirements, **RSAS** now offers a tremendous opportunity through a program offering outsourced bookkeeping. You can save time, money and headaches by joining with many other organizations taking advantage of this service. Just [Click Here](#) for details.

Test Yourself

- Need assistance in developing your budget?
- Lack or need to improve your accounting system?
- Need training in budgeting and accounting?
- Need to improve or lack the "internal controls" of your finance system?
- Need training in Non-Profit finance obligations and regulations?
- Need assistance with your charitable contribution receipting and record keeping?

- Need assistance on personnel policies and procedures?
- Need assistance on service contracting?
- Need to develop additional income streams?
- Need assistance with mgmt. of finances related to a ministry-owned vehicle?

If you have answered “yes” to any of these questions, you need to follow through with the information provided in the **Rock Solid Administrative Services website** or contact us at info@rocksolidas.com. We **CAN** help you!

Basic Accounting

A basic accounting system tracks all income and expenses and all liabilities and assets. This brings integrity and credibility to the organization and is a tool for future financial planning. Following are basic points covered in all solid accounting systems.



1. ASSETS

Assets are accounting system entries that show the property and/or resources of the organization. Examples are accounts receivable, cash, inventories of equipment and products, and real estate.

When a corporation makes money and acquires other property, the visible worth of the corporation increases...you have **ASSETS**.

2. LIABILITIES

Liabilities are accounting system entries showing the debt or property obligations of the organization. Examples are accounts payable, surplus inventory, business loss and capital stock.

When you purchase goods and services, the visible worth of the corporation decreases. You have **LIABILITIES**.

3. NET WORTH

When liabilities are subtracted from assets, you are able to determine the **NET WORTH** of the corporation. (Let’s believe only for net worth numbers that are “black” and not “red.”)

4. BALANCE SHEET

A balance sheet is a **report** that shows the assets, liabilities, and net worth of the organization.

5. INCOME STREAMS (Inflows)

Income and income streams (specific avenues of entry often referred to as inflows) are those things that have financial value that come into the possession of the corporation.

6. EXPENSES (Outflows)

Expenses (specific avenues of expense often referred to as outflows) are the costs of secured goods and services required to operate the organization.

7. CHART OF ACCOUNTS

The chart of accounts enables tracking of all financial transactions. It holds the weight of the entire accounting system. It is the numbering system given to every category that exists within the financial system of the organization. The movement of money through the organization can be "accounted" because the chart of accounts provides an organizational pattern for tracking every income and expense transaction.

This system will assign a number for every type of transaction and record the description and amount of that transaction. Some transactions ultimately show up as *assets* and some transactions show up as *liabilities*.

GENERALIZED SAMPLE CHART OF ACCOUNTS

Account Number	Item
1000	Liabilities
4000	Income Streams
6000	Expenses

8. BUDGET

A budget is a projection of income and spending for a fiscal year. This is based on projected or actual income and expense records and is a tool to guide income projection and spending. Budgets may need to be adjusted as income and/or expenses drastically change throughout the year. Account numbers from the chart of accounts are also used to identify budget income and expense accounts. Utilizing a budget, a financial manager can determine if income streams are ahead of or behind schedule and can address

necessary financial issues *before* problems arise. For more information on budgeting, click on [**Developing a Budget.**](#)

9. ACCOUNTS RECEIVABLE (A/R)

Accounts receivable is the general term for those income streams that generally come from services or products that are provided to a customer. For example, if you and your club are sponsoring a car wash so you can participate in an upcoming event, you are providing a service; you are washing cars. In response to that service, the customer is willing to pay or donate an amount of money for the car washing service. That income is an account receivable. An organization's goods and services that result in income are recorded in the financial management system as an account receivable. Contributions are strong examples of account receivables in ministry and other non-profit organizations.

10. ACCOUNTS PAYABLE (A/P)

In all matters of enterprise, especially free enterprise, one is required to pay for services and products received in the conducting of business. Accounts payable are those accounts for which the organization is responsible to make payments for goods or services purchased. Examples of accounts payable are utility bills, office supplies, professional services, etc.

Developing a Budget



Basic Budgeting

To operate without a budget is like an arrow without a target, yet many ministries and businesses do not invest the time and energy in using this vital tool in their financial management system. This often results in poor financial stewardship, loss of integrity, and not reaching levels of

excellence. RSAS can help you make the budgeting process as simple as possible through instruction, budgeting tools, and services.

Defined:

A budget is a guidance tool for maintaining an operational approach toward financial management of income and expense categories.

This definition in practical application simply means:

1. It is a *guidance tool*. It points in the direction of income streams and expense accounts.
2. It can be used by *any* organization. Budgets are valuable tools to individuals, families, businesses, agencies and corporations.
3. It is used to *maintain* operational flow of money whether it is an asset, liability, income or expense.
4. It allows the leader the opportunity to *manage* the use of finances as needed in specific categories and to *keep* that use in line with financial planning.

Proper budgeting must include both the positive and the negative financial aspects. Every budget must show income and expense. If you only show one side (income or expense), you really can only make observations on that side. You only get one-half of the story. Complete management cannot occur if you have only one-half of the financial picture.

Rock Solid Administrative Services specializes in strategic planning for organizations. Forms for budgeting can be downloaded by all partners. Working spreadsheets can also be purchased through this website. For details, click here for [Products](#) and [Programs](#).

10 Steps to Budget Development

1. Establish goals, action plan, time frames and responsible parties for the budget period.
2. Examine and establish staffing needs, including wages and all employee-related benefits.
3. Research and collect all historical income data and make projections for the budget time period.
4. Research and collect all historical expense data and make projections for the budget time period.
5. Examine all assets and establish or update their value.
6. Examine all liabilities and establish or update their value, including depreciation of assets.
7. Establish and/or review chart of accounts and make necessary updates.
8. Assign data to appropriate chart of account numbers.
9. Total and compare all income and expenses.

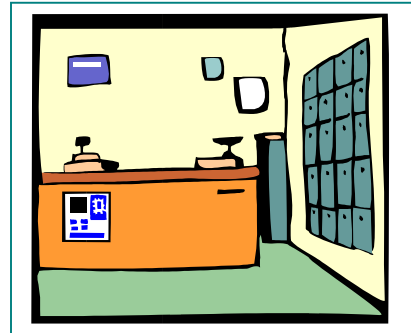
10. Balance by adjusting income and expense projections relative to prioritized goals.

Government Filing

A responsibility of all organizations that carry on financial and/or corporate activity is to comply with various government reporting requirements.

- **Federal Wage Tax Form 941**

This form is a requirement of federal wage tax laws and must be filed quarterly. Depending upon the amount of wages being paid to employees, the deposits against this obligation may require the organization to prepare a payment at the end of each month and the Form 941 is then submitted at the end of the quarter. Falling behind in this payment may result in substantial penalties and interest charges against the organization.



- **State and Local Wage Taxes**

Subject to state and local regulations, these payments are also generally quarterly payments.

- **W-2**

It is the responsibility of the employing agency to also give great attention to the governmental filing of earning records of every individual. Deadlines for these records at all levels of government are clearly indicated in the various tax bulletins available to every individual and agency. Again, and also annually, there are state and local forms that need to be submitted relative to the earnings of every employee.

Although not a government filing obligation, there are other government requirements of record keeping.

- **W-4**

This form clearly identifies the employees' federal tax considerations and desires of withholding and should be updated at least annually.

- **I-9**

This form clearly establishes the citizenship or legal residency of all workers. It must be kept in the personnel file of every employee and must be completed with dates and various proofs of identification prior to the first day of employment.

All the forms mentioned, as well as many more, can be located at the state and [federal government websites](#) on the Internet. Many of these forms can be directly downloaded to your office. If you call the various governmental offices at their toll free and automated systems, you can have the forms mailed to your office. Generally allow two to four weeks for delivery.

Rock Solid Administrative Services recommends that every for-profit and non-profit ministry, business, or agency keeps accurate and current financial and personnel files. Without these records, corporate status can be placed in serious jeopardy. Legal action can occur for not completing these obligations. **RSAS** encourages every organization to adopt a record keeping policy that clearly identifies corporate, business and personnel records that must be kept on file and the relative time periods for each. A generic copy of this policy is available to all partners or may be purchased from **RSAS** as a downloadable form for \$3. ([Order Form](#)) and ([Shipping Instructions](#))

Charitable Contributions

In the non-profit corporate sector, the organization is able to submit charitable contribution receipts to donors that 'gift' the corporation with financial and/or property contributions. Monetary gifts that are received can be receipted for the exact amounts donated. Any donations in excess of \$250 must be individually receipted by date and amount as opposed to just an annual total. All stocks, bonds, and property gifts must be assessed with attached appropriate documentation. The non-profit organizations and ministry leaders must be aware that they are usually not qualified to affix a value on property gifts. It is up to the donor to affix value. The receipt should identify the gift and be dated and the donor is responsible to report on personal tax forms the amount of the claimed deduction.

Generally, unless a specific fund is formally designated by Board action, all contributions must be given without designated use. In the non-profit community, the Board must have complete power as to the allocation of contributions. A donor can suggest use, but that suggestion does not have to be honored by the organization. However, if a specific fund is identified and a donor designates that

fund as their desired giving intent, the corporation is bound to spend that gift only for the designated purpose. Clear records must be kept to demonstrate that all designated donations were used for the designated purpose. Rock Solid Administrative Services can help in developing escrowed accounts and monitoring the inflows and outflows of designated giving. Contact **RSAS** at infor@rocksolidas.com.

©Copyright James A. Sanderbeck, Rock Solid Administrative Services, 2006
All Rights Reserved