

News From



A Publication for GMS Accounting and Revolving Loan System Clients

GMS, Inc. • 10559 Metropolitan Avenue, Kensington, MD 20895 (800) 933-3501 • Fax (301) 933-3502 • www.gmsactg.com

Volume 14, No.10

October 2002

Getting Ready for W2s - What You Can Do Now

Although three months remain before you need to prepare W2s, here are some things you can do now to get ready.

- Make sure that the year-to-date payroll information is correct. Don't wait until after the last payroll of the year is completed to find out that a payroll is missing or doubled up. Use your YTD Payroll Control Sheet to verify amounts.
- Make certain that terminated employees have a T under their employee status. You should do this for all employees terminating their employment prior to December 1. *Note: Since you may run certain reports in early January which reference employees who worked in December before ending their employment, we recommend that employees terminating in December be retained in the system. Terminated employees will be automatically removed as a part of W2 processing.*

Continued on page 2

Things To Do This Month

- Run End of Quarter Payroll Processing before the first paycheck issued in October
- Clear state/local taxes before first paycheck in October (DOS version)
- Order W2/1099/1098 forms from GMS before October 31. You can order online at www.gmsactg.com!
- Mark your calendars for the 2003 Annual Conference May 18-23, in Snowbird, Utah

Windows Software - Things You Should Know

- Year-to-Date bases are the only type of cost allocation bases available at this time in the windows software. Be sure when running month end that the starting period on the cost allocation menu is always the first date of the first month of your fiscal year.
- In the employee files, if you have employees with the same last name and you don't know their employee number, click on inquiry. This will list the employees in alphabetical order. Highlight the employee you want to open in the employee master files and click on the employee file button.
- Shift tab will not work to move the cursor to the previous field when you are in a combo box field because it has a validity checking routine.
- The format for the print voucher is designed to be printed in portrait orientation, so if you try to print it in landscape orientation, the signature lines will not appear.
- When selecting vouchers for payment, if you select all unpaid vouchers then select unmark individual, if you unselect one and save, you can't click on Unmark individual again in the event you wanted to unselect another one. What you should do in this case is unselect all vouchers, select all unpaid vouchers then select unmark individual and change the amount to pay to zero for those vouchers you do not wish to pay at this time.
- In Prepare Payroll when it asks the question "All deductions (Y/N)?" , if you click on No, all of the deductions from deduction setup will be displayed. For

Continued on page 2

In This Issue: Determining Revenue Recognition... Understanding the Aging Report

continued from page 1

the deductions you want withheld, put a check mark next to that deduction. Deductions that do not have a check mark will not be withheld. This also means if you use the payroll direct deposit supplement, you have a deduction code 99 DD net pay setup and also you may have other direct deposit deductions setup for credit union, savings account or etc. If you do not check any of the direct deposit deduction codes, a direct deposit file will not be created.

- The State and Local Tax Analysis tables and reports have been developed as of the September release. For clients who are converting as of October 1, 2002 or after, we will convert those files into the tables. For those who converted as of July 1, 2002, you will have to build these tables. Complete instructions for rebuilding were sent with the installation instructions of the September revisions.
- The new void voucher routine is part of the voucher screen. To use, click new batch, enter control amounts if desired and click save. Click the voucher entry tab. Click the void button. It will ask you to enter the voucher number that you want to void. After tapping enter, it will pull that voucher information up on the screen. You can then change the debits and credits in the grid to negative amounts to void them. Then click on Save.
- Fixed leave, fringe and indirect rates are now included as an option if your indirect cost plan has been approved using a fixed rate.

Getting Ready for W2s - What you can do now

continued from page 1

- Understand your special W2 requirements particularly for issues such as pension, deferred compensation, dependent care and group life insurance over \$50,000. You may need to check with the IRS or your CPA.
- Be familiar with any appropriate federal and state magnetic media reporting requirements that must be met.
- Order W2 forms. And, if you need to, arrange for W2 printing or disk preparation with GMS.
- Review the W2 processing section in your electronic users manual. It can be found under Payroll Processing.

Can Software Assist Your Agency in Tracking Fixed Assets?

The answer to that question is “probably yes”. However, the size of your agency and the quantity of fixed assets will determine if computerizing your inventory is economically beneficial to you at this time. No matter if you own 20 or 2000 fixed asset items, keeping the inventory on your computer can eliminate losing paper copies, rewriting when errors occur and simplify storage.

GMS offers Supplement #357 Fixed Asset Inventory which makes it easy to maintain and keep track of agency fixed assets. In DOS, the Fixed Assets software and data is located in a separate directory from your GMS Accounting and Financial Reporting System. Therefore, it will not have to be brought forward from one year to the next.

Setup files are established for general ledger codes, funding source codes, location codes, description codes, depreciation codes and the default drive used in backing up. Funding source codes have an unrestricted or restricted field to designate if the fixed asset was purchased with local funds or grant/contract funds.

Depreciation is automatically calculated on a straight line basis for those items specified as “depreciable”. A depreciation schedule and analysis may be printed at any time for documentation. In DOS, a depreciation general journal entry can be automatically prepared assuming that only one account is used for each debit and credit. In the windows version, you would enter under General Journal.

In DOS, “Ask For Fixed Assets” permits you to request certain variables of information on fixed assets. The information requested may be displayed or printed. Print options include a roster, labels, depreciation schedule, analysis, profiles, and cards. The wide variety of specific category requests can be very useful for doing the physical inventories, reconciling to the general ledger accounts, and responding to grant/contract documentation requirements.

In windows, there are several fixed asset reports to choose from. They include Fixed Asset Listing and Depreciation Schedule, Analysis by Funding Source, Analysis by Location Code, Analysis by Description Code and Analysis by GLCode.

Whether you use the GMS supplement or not, it is very important to maintain a complete fixed asset inventory and conduct physical inventories at least once every two years.

To learn more about the DOS version of Supplement #357 Fixed Asset Inventory, refer to your Accounting Electronic User Manual. To learn more about the windows version of Supplement #357 Fixed Asset Inventory, refer to the Help section. If you would like to order, please contact the GMS Service Staff.

Understanding the RLSS Loan File Aging Report

This report was designed to provide management staff and auditors with an analysis of payments and dollar amounts past due. That sounds pretty simple, but it can be complicated by several factors. If the report does not present what you consider valid information, please consider the following:

1) The report is Date Sensitive which means it will disregard any transactions within a loan history subsequent to the “cutoff date” entered for the report. For example, if the cutoff date was entered as 06/30/02, payments entered with a transaction date of 07/01/02 or later will not be considered when payments past due are calculated.

2) Accurate information within the Loan Profile is vital to the accuracy of the report. Several fields will seriously impact the report:

1st Pay Due

This field was designed to allow initial payments to be deferred without causing the program to consider the loan delinquent. If the 1st Payment Due date has not passed, the loan will be considered “current”.

Payments per Year

This field could also be titled “frequency of payments” because it is used by the program to determine when the next payment is due based on the number of payments expected each year.

Normal Payment Amt

In order for the report to reflect dollars past due, a valid normal payment amount must be entered.

Repayment Date If the repayment date has passed, the loan balance will be considered payable in full.

- 3) The columns titled “1 payment”, “2 payments” etc. Are based on the frequency of payments. In most situations, payments are scheduled monthly, so “1 payment” indicates “1 month delinquent.” If the borrower is to make quarterly payments, and Payments per Year was entered as 4, then “1 payment” would indicate the loan is delinquent by one quarterly payment, not one month. The final column on the report titled “Late Days” can help with interpreting the data.
- 4) Of major importance is an accurate paid-through date. When a payment is posted, verifying the accuracy of the paid-through date becomes vital to the accuracy of the Loan File Aging Report. The most common cause of service calls related to this report is an inaccurate paid-through date within the loan history. Because the

report is date sensitive, the paid-through date entered with the most recent transaction prior to the cutoff date must be correct to produce an accurate report.

When reviewing the report, keep in mind that “Total Delinquent Dollars” represents the balance of all loans in arrears, not just the scheduled payment amount. “Percent Delinquent Dollars” is calculated by dividing the “Total Delinquent Dollars” under each column by the total outstanding balance of all loans, thus reflecting a total portfolio risk factor.

By taking the above issues into consideration, you should be able to create a valuable tool to help management review the loan portfolio.

Determining Revenue Recognitions

For not-for-profits operating under accounting standards established by the Financial Accounting Standards Board (FASB)

Perhaps the single most important “final close” issue at fiscal year end is revenue recognition -determining earned federal, state, local and other revenues and the amount of change in permanently restricted net assets, temporarily restricted net assets and unrestricted net assets for the fiscal year.

Before adjusting for earned revenue, you need to know several things about each grant/contract. Some of these include:

- 1) What is the grant/contract’s fiscal year?
- 2) Are there local match requirements? If so, are they In-Kind Contributions, Cash or both?
- 3) Is the program a cost reimbursement, performance based or fixed price contract?
- 4) If project income was received, how is it to be applied - as a reduction of expenses or used as match?
- 5) If more than one federal and/or state revenue source is received, what are the cost sharing requirements?
- 6) What needs to be done with unearned cash for projects that end on or before your fiscal year ends - returned to the grantor agency or applied to the next year’s contract?
- 7) If the project ended during the fiscal year, can a revised final financial report be submitted? If not, what revenue is going to cover or to gain from any variance in cost allocation amounts?

Continued on page 4

Revenue Recognition
continued from page 3

Since earned revenue is usually defined differently for each type of contract, all of the above questions may pertain to some contracts but not for all. Below are general definitions of earned revenue for the different types of contracts. There may be exceptions to these definitions, so please refer to the specifications in your particular contract.

◆ **Cost Reimbursement Grants and Contracts**

Earned revenue is based on actual allowable expenses, up to the award and is classified as a contribution (auditors may classify these contributions separately, such as governmental contributions). To adjust revenue, typically a contribution receivable, grants payable or refundable advance off-setting entry will be made. Posting final entries should result in a zero project balance.

◆ **Performance Based Contracts**

Earned revenue is normally based on the number of units provided times the fee per unit up to the award. This revenue is classified as fees (auditors may classify these fees separately, such as governmental fees). Typically you will have to set up a receivable for the unreimbursed units of service provided in the last month or quarter of the fiscal year. In most cases, these projects will have a debit or credit balance reflecting the excess earned revenue or expense.

You would normally close the project balance to Unrestricted Net Assets unless program guidelines or contract specifications require that excess revenue over expense be restricted to be used for this functional program area only. In that case, it should be closed to Temporarily Restricted Net Assets. Also, if management's policy or practice is to restrict this balance to be used only for this program, it should be closed to Unrestricted-designated Net Assets.

◆ **Fixed Price Contracts**

Earned revenue is based on the completion of the product or service agreed upon and is classified as fees (auditors may include these with other governmental fees). If completed, a receivable would be set up for the amount due based on the contract award. If the terms of the agreement have not been fulfilled, it may be necessary to establish the percentage of completion in order to determine the earned revenue. We recommend that you consult with your auditor if this percentage of completion needs to be established.

If there is excess revenue or expense after recognizing earned revenue on the completed project, it would normally be closed to unrestricted net assets.

If the contract did not end during the agency fiscal year, you may choose not to close the project balance to a net asset account for internal balance sheet purposes.

Refer to your electronic users manual for sample worksheets to be filled in manually. Also, see Supplement #398 Year End Closing Entries which produces the revenue recognition worksheets after you have entered the appropriate entries using this supplement.

Job Opportunity

Title: Fiscal Director

Tri-County CAP, a \$13m non-profit headquartered in Berlin, NH, seeks an expert in financial management and nonprofit accounting. The Fiscal Director is responsible for overseeing central bookkeeping, accounting, payroll and benefits management for our multi-program human service agency. The Fiscal Director works closely with Division and Program Directors in budget development and review, and reports to the agency's Executive Director and Board. Requirements include: a bachelor's degree in accounting or closely related field, at least 5 years' fiscal management experience, familiarity with nonprofit accounting software systems and Microsoft Office applications (Word and Excel) and a thorough knowledge of indirect cost rates. We are looking for a person who will be excited by the challenge of working in a complex agency with multiple funding sources and overlapping program years, and who is capable of developing and implementing ongoing improvements to our fiscal policy and reporting. Salary commensurate with experience, excellent benefit package. EOE. [Note: We are hiring several weeks in advance of our current Fiscal Director's retirement, to provide a period of overlap for training.] **Please send resume and letter of introduction, postmarked no later than October 15th, to:**

Fiscal Director Search Committee

Tri-County CAP, Inc. (A GMS Client)

30 Exchange Street

Berlin, NH 03570