

Recommendations from CPA

Written Recommendations

1. Recommend converting to a bookkeeping platform such as QuickBooks Online that is accessible by other members of the organization besides the bookkeeper.¹ Primarily recommend that the Treasurer also have access to the platform. A bookkeeping platform will allow for continuity of the accounting function and also has the capacity to add documentation in order to create and save historical data related to the finances of the organization. Bookkeeping software will also allow for easier tracking of current financial outcomes.
2. Recommend that the organization implement a system for secondary approval of payments prior to their payment.² To further this control, the organization could utilize a bill-paying platform such as Bill.com (which integrates with QuickBooks) to pay bills. Platforms such as this allow for secondary approval of invoices and bill payments in real time and create an audit trail for outgoing payments. This would need to include payments made out of the various funds.
3. Recommend that fund balances be tracked within the bookkeeping platform or in a shared spreadsheet file. Currently, all fund balances are being tracked outside of Quickbooks in proprietary software created by Bill that only he appears to have access to.
4. Recommend that the bank statement is reconciled by the bookkeeper monthly and reviewed and approved by the Treasurer. Currently the statement is reviewed; however, no secondary review is being performed.
5. Recommend that the PayPal statement³ is reconciled by the bookkeeper and reviewed and approved by the Treasurer. Currently the statement is reviewed; however, no secondary review is being performed.
6. Recommend that the investment statement is reconciled by the bookkeeper quarterly and reviewed and approved by the chair of the Financial Committee. Currently, the statement is reviewed by the Financial Committee and a report is provided to the bookkeeper that details the investment activity which is then used by the bookkeeper to allocate investment income among the various funds.

¹ Until now, the Director of the Central Office has also been the organization's bookkeeper. The CPA also recommends later that we switch to having an external, professional bookkeeper.

² We understand this to be in conjunction with her verbal recommendation that we implement a system where there are thresholds, beyond which a payment would require secondary approval. In other words, this would not require secondary approval on every single expenditure, only on the larger ones.

³ PayPal is one of the primary ways that we have received and sent money in recent years, and generates its own statement of income and expense.

7. Recommend that funds labeled “permanently restricted” be reviewed by the Board for evidence of their permanent restriction.⁴ In the absence of such evidence, recommend that the Board unrestrict these funds and document a Board resolution to determine the use of said funds.
8. Recommend writing off the \$4,662 balance in Account 11900: Items donated. This balance is for books that were donated in 2015 as the books are likely not worth this amount anymore (per Bill).
9. Recommend that the -\$14K balance in Account 12400: Book service inventory be removed from the books. Per Bill, this was a write off of books from when the California office was closed and several books had to be thrown away because they were not sellable. The books had all been bought prior to 2007 and were then written off in 2007 and 2008 without running an expense through the P&L.⁵ As such, this balance has been on the books for over a decade as a negative asset/inventory line item.
10. Recommend reclassification of Account 12500: Prepaid Expenses balance to Inventory. Per Bill, these are inventory items, primarily Esperanto pins. As such, these should be categorized as inventory.
11. Recommend clearing out Account 22700: Life memberships. This liability account holds a balance of approximately \$30K representing amounts received from members with lifetime memberships. Per Bill, the balance is being amortized by 7% per year. Recommend running this through the P&L to extinguish the liability and simplify the balance sheet.
12. Account 22900. This account holds funds for members who have “prepaid” for books or memberships. If an overage is received, the excess is held in this account. The tracking for this is more burdensome than the benefit to the organization. Recommend that future processes return the funds to the member, or ask that any amounts received in excess of the amount be considered a donation to the organization to simplify the tracking, bookkeeping, and balance sheet. Further recommend asking members to utilize their existing funds by a given date, after which they will revert to the organization as a current-year donation.

Summary of additional verbal recommendations

1. That we outsource our bookkeeping to a professional accounting firm.
2. That we stop the practice of assigning proportional income to each fund.
3. That we institute approval thresholds for expenditures, eg. that expenditures above a certain threshold would require additional approval.⁶

⁴ Eg. Documentation provided by the donor, specifying what limitations they require for usage of the funds.

⁵ P&L = Profit and Loss Statement: a report showing the financial situation over a period of time.

⁶ For example, expenditures above \$500 might require secondary approval from the President or the Treasurer, and expenses above \$1000 might require secondary approval from the Board. The specific thresholds would be up to us to determine and could be set in a financial policy.

4. That we simplify the number of funds that we have, as the current number is very high compared to the size of the organization.
5. That we find a way to bring the General Fund to a positive balance, perhaps by folding unused, non-restricted funds into it.
6. That we simplify the language on finances in our bylaws to clarify that we will follow IRS and GAAP recommendations and requirements, and to avoid possible confusion about the definition of "restricted funds."