

Accounting

Accounting basis and tax year

Dallas Makerspace uses the cash basis of accounting as defined under IRC §§446 and 448. Under these definitions, cash basis is the method of accounting whereby revenue and expenses are identified and recognized when money is paid or received for goods sold or services rendered.

Dallas Makerspace's fiscal and tax year runs from January 1 to December 31 each year (a calendar year).

Year-end books are closed no later than ninety (90) days after the end of the calendar year.

Journal Entries

Automated and manual

Dallas Makerspace has automated much of its accounting to minimize human errors. If, however, adjustments (e.g. corrections for errors or omissions) must be made to Dallas Makerspace's accounting, an independent accountant will be responsible for making appropriate corrections to the accounting system based on the Treasurer's direction, when necessary, changes may be made by the Treasurer or such others as the Treasurer directs. An accounting manager, to the extent available, will be responsible for reviewing the entries for completeness and accuracy. And, just as with the automated accounting, manual adjustments will be reported to the Treasurer for approval.

Income and expense allocations

Income and expense allocations will be done monthly and will involve creating a journal entry into the proper account to allocate funds to committees for their use as the Board of Directors has approved and directs. To determine the allocations, the independent accountant will review the minutes of the board of director's meetings and input the journal entries that were approved. Then, to post the allocations, an independent accountant will input the journal entry into the accounting system where appropriate, and an accounting manager will review the journal entries for completeness and accuracy. Once complete, both the independent accountant and the accounting manager will certify the accounting for each month to the Board of Directors in signed writing, which the board will accept and approve or reject (requiring amending later) at its next meeting. To assist the independent accountant or auditors in their duties, a copy of the board of director's minutes from every meeting will be attached to journal entries in the accounting system.

Reconciliations

All bank and credit card statements will be opened and reviewed on a timely basis (e.g. within seven (7) days of receipt). Reconciliations will occur within twenty (20) days of the close of each month. Books for each month will not be closed until all reconciliations are complete. Reconciliations can include identifying and entering uncategorized expenditures that are immaterial. However, by the twenty-first (21st) day following the close of each month, the books must be reconciled and closed, which means all material expenditures must be categorized and entered into the accounting system.

To reconcile bank and credit card statements, an independent accountant will review the statements and use proprietary spreadsheets to settle all accounts. The independent accountant will notify the appropriate account manager that the work for the month is complete and ready for review. The account manager will review the reconciliation and approve the bank-account and credit-card-account reconciliations within seven (7) days of being notified. Once reviewed and approved, the work will be saved in the filing system for that accounting period.

Month-end close

Month-end accounting and reporting

An independent accountant will be responsible for accurately closing the books at the end of each month. The accounting system will be locked by the accounting manager for the month-end close by the twentieth (20th) day of the following month. Any required adjustments after this date must be submitted to the account manager for review, consideration, and entry after receiving board approval. Only under extraordinary circumstances will books from a prior period be reopened for a late entry. If required, all late entries will be reported by the independent accountant to the Board of Directors at the next board meeting for consideration and approval.

All balance-sheet accounts will be reconciled before closing accounts at month-end. An independent accountant will be responsible for reconciling these accounts based on board-set policies established below and management-set procedures, if any, that are established separately.

On a monthly basis, the accounting firm is responsible for providing the treasurer all bank account reconciliations, a balance sheet, income statement, cash flow, and general ledger.

Committee month-end reporting

All committee reports will be completed and issued before the end of each reporting period, which is the same as the Dallas Makerspace reporting period. If a discrepancy is identified in a committee report, corrections must be made within the twenty (20) days immediately following the reporting period's end date.

Committees' reports and accounts will be closed each month and will not remain open for future adjustments. If, however, adjusting journal entries are required past the 20-day deadline, they will be posted only after getting the committee's timely approval and after reporting the missed deadline along with the journal entry to the Board of Directors at its next meeting. When presenting the adjustment to either the committee or the board, a brief description will be required along with supporting documentation. No reason for rejection need be provided by either the committee or the board. And once rejected, no subsequent requests may be made for the same adjustment.

Recordkeeping

Dallas Makerspace recognizes its duty and responsibility to its members to maintain accurate books and accounting. To meet that duty, the Board of Directors has elected to delegate accounting duties and responsibilities to an independent accountancy firm, for a fee. This accounting firm will maintain books and accounting for Dallas Makerspace under Generally Accepted Accounting Principles. Additionally this accounting firm will make all books and accounting available to the Board of Directors whenever requested and regularly, which will be at least on a monthly basis.

Onsite books and accounting will be maintained in a locked filing cabinet that is accessible by the account manager assigned to Dallas Makerspace as well as the Treasurer. A record will be kept for each month that will include hard copies of each month-end reconciliation, bank statements, credit card statements, payables and approvals, board of director's minutes, and other relevant documents for that corresponding month.

Dallas Makerspace will require a Form W-9 from all contractors prior to issuing any checks. The independent accountant will request W-9's within a reasonable time of being notified and report new contractors to the appropriate persons and taxing authorities within a reasonable time but not to exceed any established by law.

Accounting records will be maintained for all open tax years at a minimum.

Work-flow example

January 2: Bank statements and credit card statements are prepared and mailed out by the issuing banks. Internal reconciliation begins: internal accounts are reviewed and adjustments made where needed.

January 4: Statements are received from banks. Credit card and bank account reconciliation begins. Statement to be opened and reviewed within seven (7) days or by January 11th; statements are then to be used to reconcile internal accounts. Categorized expenditures are to be verified. Material, uncategorized expenditures are to be identified and documented by the person responsible for the expenditure, so the corporation can properly categorize the expenditures. Where possible, immaterial, uncategorized expenditures are to be identified and documented by the person responsible for the expenditure. Then, once reconciliations are complete, accounting statements are to be sent to account managers for review, consideration, and approval well before January 21st. If adjusting entries are to be made, reasonable time must be provided, so all deadlines may be met, and support for adjusting entries must be provided to the accounting areas by those recommending the adjustments. Any material, uncategorized expenditures must be categorized during this time. Any material expenditures that cannot be categorized must be documented with an account manager's statement explaining why there can be no categorization and seeking board approval for this exception (with no guarantees that it will be granted). If the board does not approve the exception at its next meeting, the board will determine next steps, which should include identifying someone to investigate the expenditure and recommend what actions should be taken.

January 21: By end of business day, reconciliations must be complete: all accounts must be reconciled, all manual adjustments must be made and documented, and all accounting must be finalized.

January 22: Reports to the Board of Directors must be prepared (hard-copies printed) for their review at their next regularly-scheduled meeting as part of their board packet.

At the next regularly-scheduled board meeting, the Board of Directors will review, consider, and approve the accounting. If, however, there is accounting that cannot be approved, which can be a portion of an accounting (e.g. a single uncategorized and material expense), the board will determine the next steps to resolve the issue based on its policy and delegate it to the appropriate person to investigate and report back to the board within a reasonable time frame.

Adjustments may be made to accommodate the board of director's meeting schedule, as determined by the Board of Directors, such as adding more time to prepare accounting reports after taking federal holidays into consideration as was done in this example to accommodate New Year's Day.

Expense reimbursements for members

Where a member is reimbursed for an expense incurred under this policy, reimbursement will be at the actual cost of the goods or services; there will be no mark-up permitted. A receipt is required. Finance group-set procedures will dictate the process in which a member is reimbursed.

Class Reimbursement other than honorarium

Reimbursements for supplies provided by members will be available for classes. For approval, they must be submitted in writing, with a receipt attached. Class materials may be included but the materials' costs will be based on actual cost not retail value to adhere to the no-mark-up rule noted under Expense Reimbursements. These reimbursements will follow the same reimbursement requirements as other reimbursements.

Class fees set by class creators during event creation, shall be remitted to the sponsoring committee only. Where class fees have been set and paid to a committee, reimbursement for materials used shall be deducted from the sponsoring committees balance.

Any other class reimbursement will be governed first by this policy then by any Finance group-set procedures in place when the expense was incurred.

Honoraria payments

Honorarium is a payment made to a person for his or her volunteered services or for traditionally unpaid services and is paid without the payor recognizing any legal obligation to make that payment. Dallas Makerspace permits honoraria to be paid to the organization's service providers, which includes class instructors. Honoraria will be paid only in money; no goods or services may be exchanged.

Honoraria will be paid at a rate determined and set by Board resolution. Each payment will be classified as "Honorarium" and will be reported to the IRS as income earned by an independent contractor on an IRS Form 1099. Board-set procedures, which will include minimum class size, will govern all other aspects of honoraria.

Expense allocations

Committees may receive a monthly allowance from the corporation's general fund. This money will be used by the committee to fund its operations. Additional funds can be acquired through donations, direct board action or through honoraria.