

a bookkeeping cooperative

BOOKKEEPING CHECKLIST FOR CO-OP STARTUPS

- () **Bank Account:** It's important to separate your business finances from your personal finances. Create a bank account, get debit cards.
- () **Bookkeeping/Accounting Manual:** Make a operations manual so you can easily refer to processes and procedures for your bookkeeping.
- () **Tracking Platform:** Decide on a platform for tracking your expenses/income (Quickbooks, GnuCash, Xero, Quickbooks Online, spreadsheets)
- () **Skilled Professional(s):** Have someone qualified (ideally, a professional bookkeeper/accountant) set up your systems and be able to consult throughout the year.
- () **Training:** Get trained in the basics of financials. Invest in a more advanced training for 1-2 people more so they can do monthly financial reporting, data entry, and tax/budget planning.
- () **Filing/Tracking System:** Keep everything! Create a filing system. This could be electronic, or paper, whatever works for your style.
- () **Reimbursements/Petty Cash:** Develop a system for tracking your petty cash and tracking reimbursements to other coop members.
- () **Wages/Patronage/Pay:** How do you want to allocate your profits? Patronage, wages, or as owners?
- () **Budget:** Make a budget - for a year, 2 years, or more. Track income/expense to actuals

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Monthly Bookkeeping Tasks

- +Enter Expenses and Income Monthly and Reconcile your Banks/Credit Cards
- +Collect Receipts and enter them into your tracking system
- +Reporting to the coop (and potentially fiscal sponsors, investors)
- +Check budgets against actuals and report to your fellow owners
- +Reconciling Banks/Credit Cards
- +Balancing Petty Cash/Reimbursements
- +Paying Bills (A/P)
- +Sending Invoices (A/R)

Quarterly Bookkeeping Tasks

- +Sales Tax filing (accountants can assist)
- +Adjusting budgets to meet actuals
- +Audits - suggested that an outside person comes in and checks your books for any fraud

Year-End Bookkeeping Tasks

- +Meet with your accountant in December to clarify your books and make any adjustments - they are much less busy then and will thank you!
- +Send 1099s to contractors by Jan 31st
- +File LLC/Corporation Taxes
- +File State/City/Country/Federal Taxes
- +Figure out how much patronage / wages / draws you want to allocate
- +Send thank you's to the people who have helped you with your finances :)

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Financial Jeopardy Terms

Bookkeeper: a person who records the day-to-day financial transactions of an organization

Accountant: a practitioner of the measurement of financial information & taxes that helps people make decisions about allocating resources

Double Entry System: transactions are entered twice with one side of the transaction being called a debit and the other a credit. System developed in the 15th century.

A/P: money owed by a business to its suppliers shown as a liability on a company's balance sheet

A/R: money owed to a business by its clients (customers or debtors) and shown on its balance sheet as an asset

Costs of Goods Sold: the inventory costs of those goods a business has sold during a particular period

Depreciation: the decrease in value of assets (fair value depreciation), and the allocation of the cost of assets to periods in which the assets are used

Net Income: bottom line, net profit, or net earnings - is an entity's income minus expenses

Gross Income: receipts and gains from all sources less cost of goods sold

Liabilities: *obligation* of an entity arising from *past* transactions or events

Equity: the value of an ownership interest in a business, property. Investment.

Assets: a resource controlled by the entity as a result of past events or transactions

(Accounting Equation: Assets=Liabilities+Equity.)

Owner Guarantee: in an LLC, the amount taken from the business by an owner, usually in the form of a salary. Tax form: K-1

Patronage: A dividend a coop pays to its members or investors given based on a proportion of profit made by the business. This amount is proportionate to the hours invested in the coop. Tax form: 1099-PATR

Wage: hourly compensation for work performed by owners or employees. Tax form: W-2

Independent Contractor: a person or business that does work for you, but is not an employee. Tax form: 1099

FINANCIAL FACILITATION

Facilitation that your business can use to get people talking amount money, accounting and more.

PICTURE OF YOUR FINANCES (10 min) - draw a picture of your personal finances on one side of the paper, and a picture of your business finances on the other (worker coop, or otherwise) share with the group or neighbor.

WORD MAPPING - Have all words that people thought up about money on a board. Facilitate a discussion about similarities and differences in perceptions. Link to class, our histories with money, and show there are lots of different ways to save/spend/act in a business.

BEST ? WORST ? PRACTICES Game: give folks half sheets with practices written on them and have them match to either "best" or "Worst" practices. If folks think of more they can add them to half sheets and put them up.

| Best Practices | Worst Practices |
|--|---|
| QuickBooks - the industry standard | Excel - everyone's favorite mistake |
| Having an accountant from the beginning | Reinventing the wheel |
| Regular financial reporting to all members and decision-makers | No reporting; reporting only when the situation is bad |
| Planning for taxes | No tax planning (assuming people know what K1s, 1099s are) |
| Budgeting from the beginning for what is important | Paying for unimportant things and losing sight of the mission |
| Empowering people to spend/save money | Hoarding money with the treasurer, or only talking about money and spending money once in a while |
| Paying people on time | Cash flow problems |
| Audits from outside bookkeepers or accountants | Keeping finances at a remove from knowledgeable people |
| Including financial decision-making processes in the bylaws | Assuming that people will make the right decisions (too subjective) |

FINANCIAL JEOPARDY - Use terms sheet to play a jeopardy-style game to teach folks finance terms.

P&L + BALANCE SHEET PUZZLE

Take an example of your coop p&l and balance sheet and chop it up. Have folks get into small groups and rearrange the terms to make it either "balance" or make sense (for the P&L).

INDIVIDUAL vs. COLLECTIVE BUDGETING: The city gives your co-op \$20k to start your business. Assuming you don't have any other money, what do you spend your \$20k on? Take 5 min to do this individually and then try and come to a conclusion using consensus.

DEALING WITH FINANCIAL RESPONSIBILITY:

Your co-op is just starting up and you don't have enough money for everything. Your accountant, bookkeeper, and staff are all arguing about what you should spend your limited resources on. Luckily, you get a grant from the city for \$10,000 to support your business. You can get creative on how you spend this money, or use the categories of spending below.

How You Can Spend Your Money

You have a budget of \$10,000 a year for financial services. Obviously, you'll have to choose what makes the most sense, as you don't have enough for everything. There's a lot to balance. Below is a list of "risks" you will have to take if you don't invest in one of these options, and you'll have to "play out" those risks based on your choices.

Pick ONE of the following in each category (stay within the \$10,000 budget):

Bookkeeping

- \$7,000 for a professional bookkeeper to come 2x a month for a year to handle all your needs
- \$3,000 for staff training for one person to know how to do bookkeeping
- \$6,000 for staff training for two people to know how to do bookkeeping
- \$0.00 keep an excel spreadsheet and as few records as possible.

Taxes

- \$2,500 for a qualified cooperative accountant to do your taxes
- \$1,000 for a less qualified accountant to do your taxes
- \$500 to do them yourself
- \$0.00 you don't do taxes

(if you aren't doing any bookkeeping, add \$1000 to this number)

Staff Time

- \$2,000 for staff time spent talking about money, budgeting, finances using consensus
- \$1,000 for less staff time spent talking about the above
- \$0.00 you don't talk about money

Budgeting

- \$3,000 for a thorough budget by a professional finance person
- \$2,000 for a thorough budget created by the whole collective
- \$500 a budget by one person on the team who has a financial background
- \$0 you don't have a budget, you just pay expenses as they come up

Keep track of how you distribute the money, so you can see what the results of your decisions are. (You don't have to spend exactly \$10,000). Before you decide how to allocate the money, read and discuss the questions below.

Prompt questions

1. What is your number one priority as a group? Budgeting for the future? Using existing co-ops' knowledge and training members of your co-op to handle finance? Processing your feelings about money, fairness, etc.?
2. What is the most fair way to distribute your budget?
3. What is the most sensible way to distribute this money in your co-op? Do these two conflict?

4. Why would you want to save some of this money? What other things would you want to use it on for your co-op?
5. Is it advantageous that you all get to decide democratically what you're going to do with this money? How would that empower you and your members?
 - a. What might be the setbacks of democratic control over the finances?
 - b. How would this be different in a non-profit or a typical business?

Risk Scenarios

Play out only the following scenarios that are relevant to you. Then, at the end, talk about what happened to your co-op as a result of your democratic decisions.

- **Bookkeeping:** If you picked #1 - congrats! you are safe. If not, you're looking at the possibility of embezzlement, complicated taxes, and/or no ability to financially plan. Roll the die. If you roll a 5 or 6 - there is an IRS audit or embezzling member that costs you \$10,000. If you roll a 3 or 4, and picked to train only one member, this member leaves the cooperative and takes all their knowledge with them. Spend \$3000 to train someone else.
- **Taxes:** If you picked #1 - you're safe. However, accountants often don't know how to do cooperative books. Roll the die. If you roll a 4, 5 or 6: you are audited and find out your accountant did your taxes wrong and you owe \$5000
- **Staff Time:** If you picked #1 - great - your staff feels empowered and supported. If you picked less than that, roll a 1, 3, or 4 and you have to spend \$2000 for a staff retreat to get over your issues about \$.
- **Budget:** Roll the die. If you roll a 1, 2, 3, or 4 - you don't actually need a budget and you do just fine. If you roll above a 4 - no matter how much you paid for a budget, you still go over and staff don't get any dividends at the end of the year. Add \$3000 to your number.

So, what happened to your co-op as a result of your decisions? What decisions would you make differently next time? How did it feel to share the responsibilities and benefits democratically?

INSTANT BOOKKEEPER

Your bookkeeper has disappeared. Teams have bookkeeping scenarios posed to them jeopardy-style - i.e. like what would you do if a vendor called and said you didn't pay them their money?? Do you know how to log-on to the bank? Can you sign checks? Who makes deposits? What do you do when they're not around? How do you track income and expenses? Is it accessible to everyone? Or to one person? Who talks to your accountants? Do they receive payment for this responsibility? Do you have a budget?

Use feedback from the co-op members to craft financial education for the future.

VALUES: What non-monetary things are important to you and your coop? What are the community goods, skills, or experiences that you generate? How do you value your time? Do you want to track any of these? Now let's talk about the value of these things. This is good to do at the beginning or end of a finance retreat to remind people that it's not all about cash money.