

Treasurers Report June 30, 2008

Since the annual meeting at Wildacres in April I have given much thought and consideration as to the best manner in which to handle the association's bookkeeping in the future. Since taking over the treasurer's position I have been responsible for all aspects of the bookkeeping. Beginning in January I began to sub out to a local accounting firm basic responsibility for the executive director's payroll and for inputting invoices and payments for the bookstore. While this was a help it still left me as treasurer with a great amount of bookkeeping responsibility. I have been worried that it will be hard to find another qualified person to accept this responsibility when I leave the treasurer's position in April of 2009. With this in mind and with the consultation of Dick Smith and Norbert Senf I have restructured the bookkeeping procedures for the association and ask for board approval.

1. We have moved the association records to an "online" version rather than a desktop version of QuickBooks Pro. This allows for more than one location for entering data into the association bookkeeping records and eliminates a great deal of redundancy and record keeping.
2. Dick Smith now is responsible for entering income deposits onto the proper sales receipt or invoice in QuickBooks instead of forwarding them to the bookkeeper or treasurer for that purpose. Dick is also responsible for entering into QuickBooks any credit card charges he makes for services, supplies and materials. So far during the month of June, as we tested these procedures, I have noticed a very favorable increase in efficiency and a decrease in confusion and errors.
3. I am now ready to implement the next step in revamping bookkeeping procedures by turning over to a bookkeeper monthly reconciliation of the bank account, credit card account, merchant account, pay pal account, adjusting entries between inventory assets and cost of goods as well as payroll. I also intend to have the bookkeeper prepare and distribute monthly financial statements. In my opinion it is important to have a third party other than the executive director or treasurer perform these duties. At the very least the person who makes the data entries should not be the person who reconciles them. I feel strongly that these duties should not be volunteer work on the part of the association treasurer.
4. The treasurer will oversee the financial activities of the bookkeeper and executive director. The treasurer will continue to print and sign all association checks and approve the payment of the association credit card. The treasurer will continue to get written approval from the president of the association for these expenditures and will maintain a record of those approvals. I feel that this is a manageable and reasonable load of responsibility for the association treasurer to carry.
5. The question of who should be the bookkeeper has had a fair amount of discussion over the past few months since we left Wild Acres. When we were using the desktop version of QuickBooks the only choice was the same bookkeeper that I employ for my business because the QuickBooks file needed to be on my domain server and I did not want to have other parties logging onto that server. Now that we have an On-line version of QuickBooks this is no longer an issue. Dick contacted an accountant that he knows in Tucson to discuss the

matter. He recommended a bookkeeper in Tucson (who teaches a course in QuickBooks at the community college) and runs her own bookkeeping business. She charges \$10 an hour less than my bookkeeper in Charlottesville. She also works closely with Dick's accountant in Tucson. I recommend that we transfer bookkeeping responsibilities over the next month to the bookkeeper in Tucson and that we transfer preparation for the 2008 tax return to Dick's account after my accountant in Charlottesville finishes the 2007 tax return. This will put everything in place for the next treasurer taking over in April of 2009 and should provide better financial continuity for the association.

The movement to the Online version of QuickBooks required adjustments to accounting procedures prior to May 31, 2008.

1. QuickBooks Online does not track inventory amounts. While I hated to give this function up in switching from the online version, the association really is not tracking that many bookstore inventory items at the present time. The solution decided on was to list these items as inventory assets on the balance sheet and once a month do an adjusting entry from inventory assets to cost of goods. So far so good without too much hassle. Bookstore items like the MHA Portfolio will no longer be carried in inventory but will rather be printed "on demand" from a new laser printer which Dick has purchased for this purpose. We believe this will lower the printing cost for the portfolio as well as allow for much easier updating of the material when needed.
2. QuickBooks Online does not allow for job costing. I had been tracking the Annual Meeting, Trade Shows and Workshops in this manner. After discussion with Dick and Norbert it was decided to "class" the income and expenditures of committees and the annual meeting at Wild Acres. While we don't get a cost breakdown for each trade show this way, we do get a clearer picture of what is happening with committees and the annual meeting. In the future it should help with the budget allocation process to committees. The income/expense & budget statements attached show this new class system in place for the 2008 fiscal year. In order to adapt the budget approved at Wild Acres to the new class structure, I had to prorate many accounts over the class structure. I did the best I could. I can easily make adjustments as the board wishes.
3. The new class structure allowed (necessitated) streamlining of the chart of accounts. The new chart of accounts is also much more GAAP (General Accepted Accounting Principles) friendly. A number of accounts have been consolidated (merged) and renamed.

In order to save time at the conference call board meeting this coming Sunday I will make written comments on each of the (3) statements attached to this report.

1. BALANCE SHEET of June 30, 2008 –Undeposited funds are Pay Pal payments from the Bookstore operation not deposited in the bank account as of June 30th. Heater Hardware is the account for the items donated to Wildacres meeting by Albie Barden. VISA Credit Card is for purchases largely made during May-June.

- Payroll Liabilities is made up of Dick's payroll for June and some payroll expenses for the 2nd quarter.
2. PROFIT & LOSS by Class – shows the new class structure and how income and expenses are prorated for each account. The \$3478 of materials/supplies for the Annual Meeting is made up of about \$750 for supplies for the workshops and the rest is for bookstore items sold at the auction. The \$15,586 in the Service COG account for the Annual Meeting is our obligation to Wildacres. Other accounts are relatively self explanatory.
 3. BUDGET vs ACTUALS – this is a repeat of the profit loss statement above comparing it to the budget approved in April. Here I took a number of liberties with prorating the budget projections across the class structure. I welcome suggestions for change

Finally I would like to point out that this Profit & Loss statement is the first time we can see the entire financial picture of the Annual Meeting at Wildacres and its very substantial portion of the yearly budget. I knew it was big but I was surprised to see how big.

Respectfully submitted,

Doug Hargrave
MHA Treasurer