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A Handbook for Grant Applicants

The Wisconsin Arts Board wishes to express appreciation to the Legislative Audit Bureau for their excellent suggestions following the review of our Arts Challenge Initiative program. This handbook was developed by the Audit Bureau based on the needs identified during site visits to several small agencies throughout the state.

The Wisconsin Arts Board

The Wisconsin Arts Board is the state agency responsible for the support and development of the arts throughout Wisconsin. Since 1973, the Arts Board has supported artists and arts organizations with funds from the state legislature and the National Endowment for the Arts.

The Arts Board consists of fifteen citizen volunteers appointed by the Governor. Members of the Board establish the agency's policies and programs, and approve all grant awards. Panels of artists and arts professionals advise the Board on all grant applications by making qualitative and funding recommendations. The agency's professional program and support staff implement policies and programs and provide technical and informational services to the public.

Introduction

Organizations need accurate and timely financial information in order to complete Wisconsin Arts Board grant applications and to maintain eligibility in their programs. Financial data are also maintained to provide management control over planning and reporting of financial information to the Board and other governmental agencies. Establishing basic procedures for maintaining financial records can assist any organization when reporting financial information and can improve the accuracy of these data.

The Arts Board, through a review conducted by the state Legislative Audit Bureau, has developed this handbook to describe some basic accounting procedures for organizations experiencing difficulties establishing a system or wishing to improve their present procedures for recording income and expenses. The examples and procedures provided do not represent the only available system for recording these accounting transactions. However, they do provide basic guidelines for your use. Organizations with access to personal computers may find it easier to obtain accounting software packages to assist in this area.

In order to illustrate these guidelines, we have developed a hypothetical arts organization called ABC Arts, Inc. We will use ABC Art's financial data to illustrate some important concepts in financial record keeping. Procedures for establishing and maintaining the suggested system have three components:

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Preparation

In order to prepare for the recording of transactions, three tasks should be completed:

- 1) Analyze your present income and expenses. By examining your deposits and checks and/or your budgets, you should be able to identify the major types of income and expenses for your organization. For our example, we identified nine major income sources and seven major expenses for ABC Arts, Inc. The income categories are: ticket sales, government grants, memberships, program advertising sales, rental income, contributions, interest income, endowment contributions and miscellaneous. The expense categories are: mortgage expense, communication expense, costume expense, printing expense, advertising expense, miscellaneous expense, payroll expense.
- 2) Number accounts for each major income and expense category. Although not mandatory, account numbers are generally categorized as follows:

Assets	1000-1999
Liabilities	2000-2999
Fund Equity	3000-3999
Expenses	4000-4999
Income	5000-5999

Therefore, we have assigned account numbers to our income categories as follows:

Ticket Sales	5000
Government Grants	5001
Memberships	5002
Program Advertisement Sales	5003
Rental Income	5004
Contributions	5005
Miscellaneous	5006
Interest Income	5007
Endowment Contributions	5008

We have assigned account numbers to our expense categories as follows:

Mortgage Expense	4000
Communications Expense	4001
Costume Expense	4002
Printing Expense	4003
Advertising Expense	4004
Miscellaneous Expense	4005
Payroll Expense	4006

The same account titles should be consistently used from year to year. If you no longer need one category it can be dropped and new categories can be added as needed. It is recommended that when an account has been dropped, the assigned number not be reused. Do not forget to assign a number for “miscellaneous income” and “miscellaneous expenses.” Any income and expenses which you have not classified as a major income or expense should be recorded in these accounts.

- 3) Create your general journal and account ledgers. The general journal is a record of all transactions which have taken place over the course of the year in the order of occurrence. An example of a general journal appears as Figure 1. The column marked “post” provides an opportunity to indicate that this transaction has been recorded in the account ledger.

Figure 1

ABC Art, Inc. January 1, 199X, to December 31, 199X General Journal Entries Page 1					
Date	Description	Post	Reference Number	Increase to Cash	Decrease to Cash

Create an account ledger for each account you have identified above. It will provide a summary of transactions for each individual account. An example of an account ledger appears as Figure 2.

Figure 2

ABC Art, Inc. January 1, 199X, to December 31, 199X Ticket Sales Ledger 5000					
Date	Description	GJ* Pg #	Reference Number	Amount	Running Balance

* General journal page number.

Maintaining Accounting Data

Once you have completed the preparation stage, you are ready to begin recording transactions. The steps to using the system are as follows:

- 1) Record all transactions in the general journal in the order in which they occur. When recording these transactions, be sure to include the date, the account number, and the account name for each transaction as well as a brief description of the entry. If numbered receipts or checks are used, also include a reference number. Record sufficient detail so that the account ledger it relates to is evident and so that adequate information is available if needed later.

We have created six entries for ABC Art, Inc., which are shown in ABC Arts's general journal in Figure 3. The journal entries we made are based the six sample transactions:

On January 3, 199X, a deposit of \$950 was made by the Treasurer. The \$950 was collected from three events. ABC Art, Inc. raised \$125 selling ten tickets to ABC Art, Inc.'s next dance performance, \$375 selling advertisements for the program to the next performance, and \$450 was membership dues from Mr. Smith, Mrs. Jones, and Ms. Johnson. The deposit slip number was 100.

On January 25, 199X, a deposit of \$500 was made. The deposit includes a \$300 rental payment for January from a tenant in the building owned by ABC Art, Inc. and \$200 from ticket sales. The deposit slip number was 101.

On February 27, 199X, a deposit of \$710 was made. The deposit includes \$210 in donations from Mr. Harvey (\$110), Mrs. Lois (\$20), Mr. Madison (\$80). An additional \$200 was for membership dues from Mr. and Mr. King and \$300 was a February rent payment from ABC's tenant. The deposit slip number was 102.

On March 4, 199X, the Treasurer wrote check number 1078 for \$700 for the mortgage payment on the building and check number 1079 for \$145 for the phone bill.

On March 11, 199X, the Treasurer deposited \$270 in the bank account. The \$270 represented \$20 in coffee sales at a recent fund raising event and \$250 in t-shirt sales. The deposit slip number was 103.

On March 19, 199X, the telephone company returned \$45 to ABC Art, Inc. after it discovered that ABC had overpaid the last bill. The Treasurer deposited these funds using deposit slip number 104. This transaction is recorded as an increase to cash in the general journal and a decrease to the expense ledger. This should not be recorded as income because, although it does represent cash received by ABC Art, Inc., it is not income that was earned by ABC.

Figure 3

ABC Art, Inc.	
January 1, 199X, to December 31, 199X	
General Journal Entries	Page 1

Date	Description	Post	Reference Number	Increase to Cash	Decrease to Cash
1/3	Ticket Sales for Dance	x	100	125	
	Program Ad for Dance	x	100	375	
	Members Annual Dues (Smith, Jones, & Johnson)	x	100	450	
1/25	Rental Income from XYZ	x	101	300	
	Ticket Sales for Recital	x	101	200	
2/27	Individual Donations		102		
	Harvey			110	
	Lois			20	
	Madison			80	
	Membership Dues (Kings)		102	200	
	Rental Income from XYZ		102	300	
3/4	Mortgage Expense		1078		700
	Communication Exp (Tele)		1079		145
3/11	Misc. Rev-Coffee sales		103	20	
	Clothing Sales (t-shirts)		103	250	
3/19	Communication Expense (refund of an expense due to overpayment)		104	45	

- 2) Periodically transfer the information provided in the general journal to the account ledgers. This is called “posting.” An “x” in the “post” column of the general journal indicates you have transferred the information. This will prevent recording of the same entry twice. Also indicate in the account ledgers the page number of the general journal on which the entry was originally recorded. This will simplify obtaining more information about a specific entry in an account ledger.

How often you post to your general ledger will vary according to the needs of your organization. For example, if your organization has few transactions each month and your board meets once each year, posting quarterly would provide adequate information for your needs. However, if you have monthly board meetings or have a large number of transactions each month, posting monthly would provide more timely information.

We have posted the first five entries from the general journal shown in figure 3. Note that we have also placed an "x" in the posted column of the general journal shown in figure 3. This indicates we have posted these to our account ledgers, as shown in figure 4.

Figure 4

ABC Art, Inc. January 1, 199X, to December 31, 199X Ticket Sales Ledger 5000	
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Date	Description	GJ* Pg #	Reference Number	Amount	Running Balance
1/3	Ticket Sales for Dance	1	100	125	125
1/25	Ticket Sales for Recital	1	101	200	325

ABC Art, Inc. January 1, 199X, to December 31, 199X Program Advertisements Ledger 5003	
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Date	Description	GJ* Pg #	Reference Number	Amount	Running Balance
1/3	Program Ads for Dance	1	100	375	375

ABC Art, Inc. January 1, 199X, to December 31, 199X Membership Ledger 5002	
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Date	Description	GJ* Pg #	Reference Number	Amount	Running Balance
1/3	Member annual dues	1	100	450	450

ABC Art, Inc. January 1, 199X, to December 31, 199X Rental Income Ledger 5004	
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Date	Description	GJ* Pg #	Reference Number	Amount	Running Balance
1/25	Rent from XYZ	1	101	300	300

Presenting Yearly Income/Expense Info.

At the end of the year, the information on your ledgers can be summarized in a financial report of your income and expenses. A report for ABC Art, Inc., has been provided in Figure 5 as an example. Net income (or net loss) is equal to total income less total expenses.

Figure 5

ABC Art, Inc. For the period January 1, 199X to December 31, 199X Statement of Income and Expenses		
Account Number	Account Name	Amount
INCOME:		
5000	Ticket Sales	\$5,795
5001	Government Grants	4,000
5002	Memberships	2,700
5003	Program Advertisement Sales	750
5004	Rental Income	2,500
5005	Contributions	1,100
5006	Miscellaneous Income	1,000
5007	Interest Income	250
5008	Endowment Contributions	350
TOTAL INCOME		\$18,545
EXPENSES:		
4000	Mortgage Expense	\$8,400
4001	Communication Expense	500
4002	Costume Expense	3,500
4003	Printing Expense	1,130
4004	Advertising Expense	2,450
4005	Miscellaneous Expense	500
4006	Payroll Expense	500
TOTAL EXPENSES		\$16,980
NET INCOME		\$1,565

Use a new set of ledgers for income and expenses each year. Therefore, the balance at the beginning of each year, in each ledger, should be zero. Income and expense accounts are intended to capture the transactions which have occurred during one year. Therefore, amounts should not be carried over from one year to the next.

For Arts Board purposes, the income and expenses must be recorded in the format prescribed in the grant program applications. For example, in order to classify income and expenses according to the Arts Challenge Initiative program, a worksheet has been created. The accounts which have been classified as each type of income (i.e., admissions, contracted services, etc.) should be recorded on the worksheet. Also record the year-end total for each account. Total amounts for each category will then be recorded on the Arts Challenge Initiative program application. An example of a portion of the worksheet for ABC Arts, Inc., is shown in Figure 6. A complete worksheet can be found with your Arts Challenge Initiative grant application.

Figure 6

ABC Art, Inc. For the Year Ending December 31, 199X INCOME WORKSHEET		
List the account ledgers from your records which make up:	Acct. balance from your records:	Subtotal each category:
ADMISSIONS:		
Ticket Sales	\$5,795	
Memberships	\$2,700	
		\$8,495
CONTRACTED SERVICES:		
OTHER REVENUE:		
Program Ad Sales	\$750	
Rental Income	2,500	
Misc. Income	1,000	\$4,250

Maintain financial records, including any journals, ledgers, deposit slips, check stubs, bank statements, and worksheets for seven years to comply with Arts Board requirements. If you have any questions concerning the documentation required for the Board's purposes, contact the Wisconsin Arts Board at 608/266-0190.



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Grant-Writing Assistance

The Arts Board staff is available for WAB grant-writing assistance throughout the year. The staff can explain and clarify Arts Board eligibility requirements, definitions and review criteria. The staff can also discuss proposals and alternative ideas. Discussions with the staff, however, do not influence funding decisions.

First-time applicants are encouraged to contact the Wisconsin Arts Board prior to applying. The Arts Board cannot guarantee assistance for applicants calling immediately prior to the deadline.