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**Scott Seamands' 10 most frequent suggestions for affordable housing organization accounting departments**

1. Salaries, benefits, payroll taxes are generally one of a NFP's biggest natural expense categories so taking care in functional allocation will be helpful.

2. Understanding how to allocate salaries between program/M&G/fundraising:

Make an inventory of positions and include a description of what % of time is spent in each functional area

Make the allocations match the %s except that accounting, HR and most C-suite people are not program since they aren't directly involved in the delivery of goods/services to fulfill the mission.

What about asset management? Program

IT? Headcount?

Public policy – program

M&G defined: oversight, business management, general recordkeeping and payroll, budgeting, financing, soliciting funds other than contributions/dues, administering contracts including billing and collecting fees or grant reporting, informing the public about stewardship, announcing appointments, producing the annual report, HR and anything else other than direct conduct of program services, fundraising or membership development.

3. Think about which entity will report M&G salaries for all affiliates:

Are the salaries allocated to each affiliate or does one organization show a disproportionately high accounting salary cost which is really benefitting other affiliates? In effect you have a labor pool which should be allocated to various organizations.

Showing the cost in M&G with the accounting fee charged to the affiliate in revenue would drive up the M&G ratio. Net these amounts to show the accounting cost of each organization appropriately in M&G.

4. Determine that any organization that benefits from a service received from an affiliate, recognizes a payment for the personnel cost (compensation and benefits) or the FV of the service. If no payment is made, the affiliate receiving the service recognizes the cost like any other cost and recognizes an equal equity transfer. (ASC 958-220-45-21)

5. Dedicated construction accounting staff as the organization does enough development activity to support that position: several projects completed each year. Handles loan draws, cost certs, reconciling to construction budget and financial projections, interfaces with development project managers, etc. That position can become more careful about capitalizing period costs such as interest on acq/rehab projects since this can be a tricky issue with different GAAP/tax treatment.

6. If investment activity is material, consider allocating the salary costs associated with investment accounting/finance as a reduction of the investment income in order to reduce your M&G cost. Net investment income may include: dividends, interest, realized gains/losses, unrealized gains/losses, other than temporary impairment losses and reduce this by all internal and external cost related to investment activities.

7. Remember to use an after-the-fact timekeeping system whenever allocating payroll costs to federal grants. 2 CFR 200.430(i): Standards for Documentation of Personnel Expenses must…not rely on budget estimates before the services are performed alone. Such estimates must be reviewed after the services are performed to ensure that the allocation is accurate.

   **(viii)**Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

   **(A)** The system for establishing the estimates produces reasonable approximations of the activity actually performed;

   **(B)** Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

   **(C)** The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

8. Don't equate grant reimbursable payroll costs to program services since grants cover admin functions sometimes.

9. If Asset Management reports to the CFO, consider whether those salaries are program rather than accounting/finance related M&G. Is asset management dealing with year 15 buyouts, reserve withdrawal decisions, investor and lender relations, portfolio considerations. Aren't these related to the mission rather than finance-related functions? May need to allocate budgeting time to M&G.

10. Centralize access to paperless document retention files. A common complaint by controllers is that they are not aware of agreements entered into by development project managers, so the books don't include all necessary accruals for ground leases, soft debt interest, etc.