

Shelby Financials Statement of Functional Expense Instructions

Overview: The Statement of Functional Expense report presents a spreadsheet type view of expense activities shown by function (programs, general management, and fundraising) displayed in columns while the rows provide a view by the type, or nature, of the expense (compensation, depreciation, maintenance, etc.)

Some churches may be required to include the Statement of Functional Expense report along with the Statement of Financial Position and the Statement of Activity. You should check with your auditor or other professional advisors to determine if you need to include this report in your monthly and annual presentations. You also might find the [webinar presented by PSK and Shelby Systems](#) to be helpful in understanding if you need to provide this report, and how to proceed without having to change your current chart of accounts.

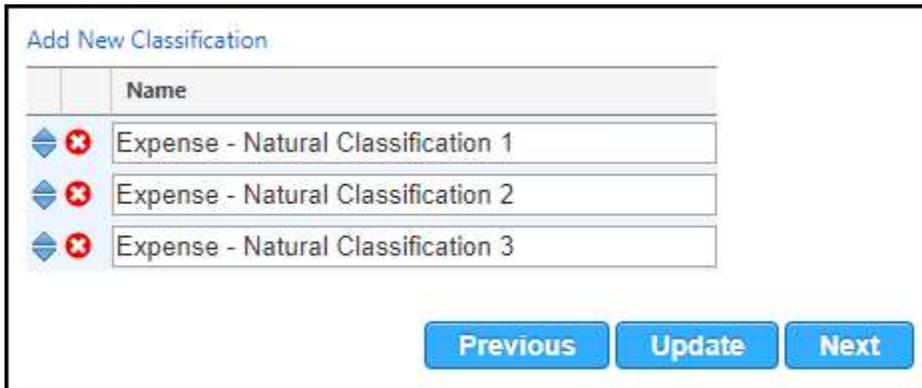
Approach: Identify your programs and support activities before constructing the report. Programs might include such activities as Intercity outreach, local missions, foreign missions, Adult Ministries, Youth Ministries, Mothers' Day Out, etc. Then, group similar programs together for the report. For example, select groups like Local Ministry, Missions/Outreach, Daycare/School. Two additional columns are required: Management, General, Administrative (MG&A) and Fundraising. For natural classifications define broad categories of expense activities, such as Benefits, Program Expense, Utilities/Maintenance, etc.

Once you have defined your programs and expense classifications, then you are ready to start configuring the report.

Statement of Functional Expense Company 100 - NW Thru period October in fiscal year 2016						
<u>Natural Classification</u>	<u>Local Ministry</u>	<u>Missions / Outreach</u>	<u>Daycare / School</u>	<u>MG&A</u>	<u>Fundraising</u>	<u>Total</u>
Salary	10,805.17	2,161.03	4,321.11	4,323.01	.00	21,610.32
Utilities / Maintenance	.00	.00	34.71	183.79	.00	218.50
Travel	1,207.78	2,898.65	.00	241.56	483.11	4,831.10
Miscellaneous	.00	.00	.00	1,176.86	.00	1,176.86
Food Services	.00	111.09	15.87	.00	31.74	158.70
Benefits	459.46	.00	687.70	.00	.00	1,147.16
Depreciation	.00	.00	.00	.00	.00	.00
Program Expense	155.10	.00	155.10	.00	.00	310.20
Total Expenses	12,627.51	5,170.77	5,214.49	5,925.22	514.85	29,452.84

Use the following steps to set up the Statement of Functional Expense Report

1. Start Shelby Financials and navigate to General Ledger
2. Hover over Modify and select Functional Expense Report which starts the setup wizard
 - a. NOTE: when you click Previous, Update, or Next buttons, the program saves your work
3. Step 1, optional feature to include income (NOTE: Seldom used)
 - a. Checkmark Include Income if needed
 - b. Click Next to go to step 2
4. Step 2, Define Natural Classifications. The wizard includes three undefined classifications. You can change the descriptions by just typing over the placeholder descriptions. Natural Classifications include descriptions similar to Salary, Utilities / Maintenance, Depreciation, Program Expenses, etc.



The screenshot shows a window titled "Add New Classification". It contains a table with the following structure:

	Name
 	Expense - Natural Classification 1
 	Expense - Natural Classification 2
 	Expense - Natural Classification 3

At the bottom of the window, there are three buttons: "Previous", "Update", and "Next".

- a. Rename the existing classification
- b. If you need more than 3, then click the Add New Classification link
- c. You can delete any Classification that is not needed by clicking the red X icon
- d. You can change the order of the Classifications by moving the blue icon up or down.
- e. Click Next to move to Step 3.

5. Step 3, Define Program Activities. The wizard includes three undefined classifications. You can change the descriptions by just typing over the placeholder descriptions. Program Activities include items similar to Local Ministry, Missions/Outreach, Daycare/ School, etc.

Step 3, Define Program Activities

[Add New Activity](#)

	Name
 	Program Activity 1
 	Program Activity 2
 	Program Activity 3

[Previous](#) [Update](#) [Next](#)

- Rename the existing Activities
 - If you need more than 3, then click the Add New Activity link
 - You can delete any Activities that are not needed by clicking the red X icon
 - You can change the order of the Activities by moving the blue icon up or down
 - Click Next to move to Step 4
6. Step 4, Define Supporting Activities. While the wizard includes three undefined activities, you may only need two: MG&A, and Fundraising.

Step 4, Define Supporting Activities

[Add New Activity](#)

	Name
 	Supporting Activity 1
 	Supporting Activity 2
 	Supporting Activity 3

[Previous](#) [Update](#) [Next](#)

- Rename the existing activities
- If you only need two, then click the red X icon to delete the third.
- Click Next to move to Step 5

7. Step 5, Account Assignments Filters. Your chart of accounts might be very simple, or extremely complex. Either way, you might be spending considerable time in Step 5. Therefore, you should review the options in the Step 5 Filters, as shown below.
 - a. Account Structure will not show if you do not have multiple funds and/or multiple departments. If it does display, then you will need to select an area from the drop-down box.
 - b. Show All, simple shows all account codes based on Account Structure filter
 - c. Show Unassigned shows all accounts that you do not have mapped
 - d. Show Not = 100% shows all accounts where percentages under each activity do not equal 100%.
 - e. Click Search to move to the list of accounts.

Step 5, Account Assignments

Filters

Show All Unassigned Not = 100%

Account Structure 01-01

01 Fund 1	01 Income/Expense
02 Fund 2	01 Income/Expense

Search

Previous
Update
Next

8. Step 5, Account Assignments. The screenshot below shows two accounts set up correctly. Notice that 50100 payroll totals will show in four columns, Local Ministry, Missions/Outreach, Daycare/School, and MG&A.

Step 5, Account Assignments					
Filters					
Account	Natural Classification	Activity Assignment			% assigned
50100 Payroll	Salary	Support	MG&A	20.00%	100.00 %
		Program	Daycare / School	20.00%	
		Program	Missions / Outreach	10.00%	
		Program	Local Ministry	50.00%	
50110 Streaming	Miscellaneous	Support	MG&A	100.00%	100.00 %

9. Use the following steps to allocate a percentage of each account code's activity to the proper location on the report grid.

- a. Use the pull-down arrow for the Expense Code to assign the code to the Natural Classification. Here we are selecting 50100 Payroll and assigning it to Natural Classification of Salary

Account	Natural Classification
50100 Payroll	(not assigned) ▼
50110 Streaming	(not assigned)
50200 Utilities & Maintenance	Salary
50300 Supplies & Travel	Utilities / Maintenance
	Travel
	Miscellaneous
50310 Facilities	Food Services
50400 Misc Expense	Benefits
50500 Food Services	Depreciation
	Program Expense

- b. Using the pull-down arrow under Activity Assignment, we are selecting Program

Account	Natural Classification	Activity Assignment
50100 Payroll	Salary ▼	(not assigned) ▼
50110 Streaming	Miscellaneous ▼	(not assigned)
50200 Utilities & Maintenance	Utilities / Maintenance ▼	Program
50300 Supplies & Travel	Travel ▼	Support

- c. Using the pull-down arrow in the next column, we select Local Ministry

Filters			
Account	Natural Classification	Activity Assignment	
50100 Payroll	Salary ▼	Program ▼	Local Ministry ▼
50110 Streaming	Miscellaneous ▼	Support ▼	Local Ministry
50200 Utilities & Maintenance	Utilities / Maintenance ▼	Program ▼	Missions / Outreach
50300 Supplies & Travel	Travel ▼	Program ▼	Daycare / School
		Program ▼	

d. Then we will allocate 50% of Payroll to Local Ministry

Filters			
Account	Natural Classification	Activity Assignment	
50100 Payroll	Salary	Program	Local Ministry 50

e. IMPORTANT NOTE: When moving from the % column notice that the program drops your entry down one row, leaving the top row available to add more distributions. Also, notice that the % assigned column shows 50% in red text indicating there are more distributions needed for account number 50100.

Filters			
Account	Natural Classification	Activity Assignment	% assigned
50100 Payroll	Salary	(not assigned)	50.00%
		(activity type not assigned)	50.00%
		Program	50.00%
		Local Ministry	50.00%

f. Continuing with 50100, we will choose Program again and use the pull-down arrow to choose Missions / Outreach. Also, notice that Local Ministry is not an option because it is used in step 9.d above for account 50100.

Account	Natural Classification	Activity Assignment	
50100 Payroll	Salary	Program	Missions / Outreach
		Program	Missions / Outreach
50110 Streaming	Miscellaneous	Program	Daycare / School
50200 Utilities & Maintenance	Utilities / Maintenance	Program	Daycare / School

g. Enter 10% for this second entry.

h. Again, on the top row, select Program and choose Daycare / School with 20%

i. Still working with 50100 but this time don't choose Program (already used all three available items) rather choose Support and choose MG&A. The program should default to show 20%, which is the balance.

10. Repeat the process using all of your existing expense accounts.

11. Step 6, Footnotes

Step 6, Footnotes

FOOTNOTES:
Misc. Expense items includes unclassified expenditures.

[Previous](#) [Update](#) [Finish](#)

- a. The Footnotes screen is a large text box. Enter any information needed to clarify entries on the report. For example, How miscellaneous expenses are used, a change in net asset allocations, etc.

12. Additional helpful information:

- a. If you need to correct an entry, change the Natural Classification to “Not Assigned” and start that account code’s distribution again.
- b. You don’t have to do all allocations in one setting. Just click Previous, Update, or Next to save your work.
- c. If you are in Step 5 and need to go back to the filter screen, then click the Filters bar at the top of the screen.