

**OPERATING REPORT WORKSHOP**

U.S. Department of Justice  
Office of the U.S. Trustee  
Northern & Eastern Districts of Texas  
Region 6

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**Presenters:**

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Kendra Rust, CPA  
Susan Young, MBA

Bankruptcy Analysts – Dallas Office  
Office of the U.S. Trustee

<http://www.justice.gov/ust/ro6>

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**Limitations**

- We cannot provide legal advice
- We cannot strategize or replace your professional counsel
- We cannot violate the McDade Authorization (determines whether your attorney has given us permission to speak to you directly)

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### Limitations

- We cannot waive the reporting requirements
- We cannot extend the filing deadlines for the operating reports
- We cannot waive UST quarterly fees that have been calculated correctly

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### Workshop Focus

- Purpose of operating reports & requirements
- Review red flags
- Review a couple of important accounting & bankruptcy concepts

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### Workshop Focus

- Review each of the 4 UST report formats
- Explain how to complete each page (in logical instead of chronological order)
- Review UST Quarterly Fee requirements

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**Workshop Focus**

- Provide some helpful & practical tips
- Answer your general questions (and specific questions as time/other limitations allow)

PLEASE HOLD ALL QUESTIONS UNTIL PROMPTED AT THE END OF EACH SECTION

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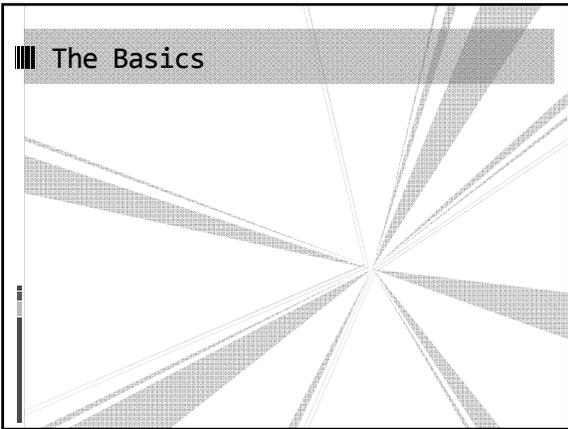
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**The Basics**



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**Purpose of Operating Reports**

- Provides all interested parties & Court with relevant financial information
- Allows UST to perform statutory oversight and monitoring function

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### || Purpose of Operating Reports

- Provides basis for determining whether the plan you've proposed is viable
- Assists you with cash flow management
- Basis for UST quarterly fee calculation

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### || Requirements

- Pre-Confirmation = Monthly Reports
- Post-Confirmation = Quarterly Reports
- Must use UST forms

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### || Requirements

- Must complete all pages & provide required attachments
- Due on the 20<sup>th</sup> of the month for the period prior (monthly or quarterly)
- Your attorney must file an electronic copy of the report with the Court and keep a hard copy with an original signature in their files.

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**Requirements**

- As of May 1, 2012, you are no longer required to file a hard copy of the report with original signatures with our office (UST)
- Continue filing until case is closed or until converted or dismissed
- A confirmed case is NOT a closed case!

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**Red Flags**

- Reports are not filed or filed late
- Incomplete, missing pages, or poorly prepared
- Balancing issues – not all cash accounted for
- Insufficient cash flow and/or profit

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**Red Flags**

- Negative beginning or ending cash figures
- Increasing post-petition debt
- Inconsistencies between operating reports, bankruptcy schedules, Statement of Financial Affairs (SOFA), and tax returns
- Inconsistencies in figures from month to month

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### Red Flags

- Transactions "outside the ordinary course", i.e. beyond the ordinary scope of your business, without court approval: sale of assets, loans, etc.
- Other questionable transactions: payments to professionals without approval, payments on prepetition liabilities, insufficient fund fees, excessive personal expenses , etc.

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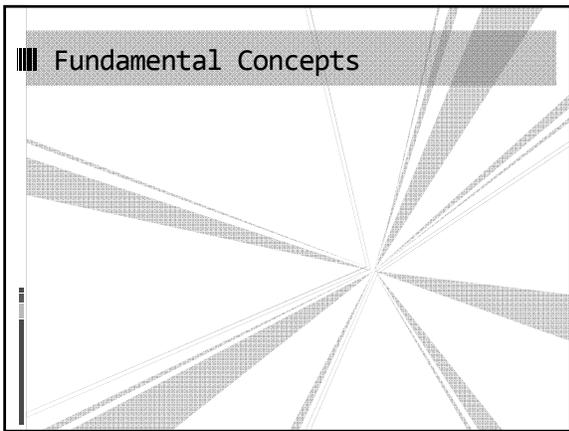
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### Fundamental Concepts



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### Cash vs. Accrual

- Timing differences in the recognition of income & expenses
- Cash = Received & Paid
- Accrual = Earned & Incurred

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### Cash vs. Accrual

- Accrual includes non-cash transactions (depreciation, accounts receivable & payables, prepaids, etc.)
- Accrual = GAAP = more sophisticated = follows matching principle = better indicator of profitability
- BOTH are important

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### Example

You build custom tables. Your booth at a home show in March resulted in 10 orders for tables. It costs \$500 in materials and takes a month to make each table. Tables are sold for \$800 each and you collect a \$100 initial deposit.

<u>Cash</u>	<u>Accrual</u>
<u>March:</u>	<u>March:</u>
Cash Receipts = \$1,000	Income = \$0
Disbursements = <u>\$5,000</u>	Expenses = <u>\$0</u>
Net Cash Flow = (\$4,000)	Profit = <u>\$0</u>
<u>April:</u>	<u>April:</u>
Cash Receipts = \$7,000	Income = \$8,000
Disbursements = <u>\$0</u>	Expenses = <u>\$5,000</u>
Net Cash Flow = \$7,000	Profit = <u>\$3,000</u>

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### Creation of Bankruptcy Estate

- New entity created upon filing bankruptcy
- Assets belong to the bankruptcy estate and are managed by you as "Debtor-in-Possession" (or trustee)
- Books should be closed the day before
- Transactions segregated into pre and post petition




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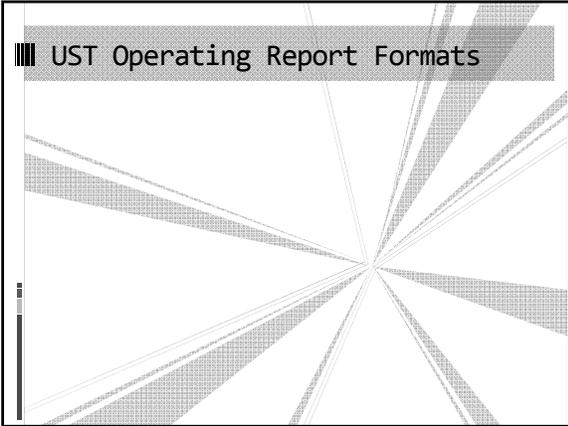
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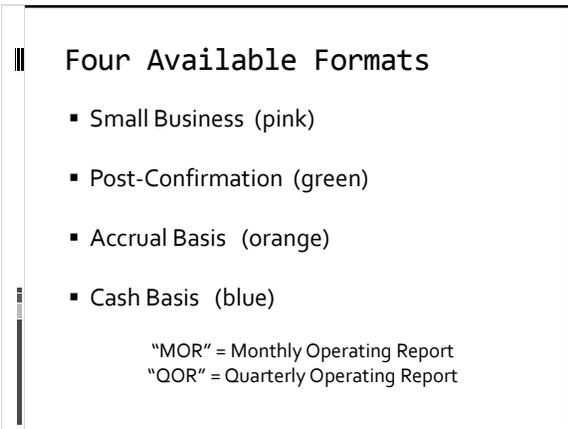
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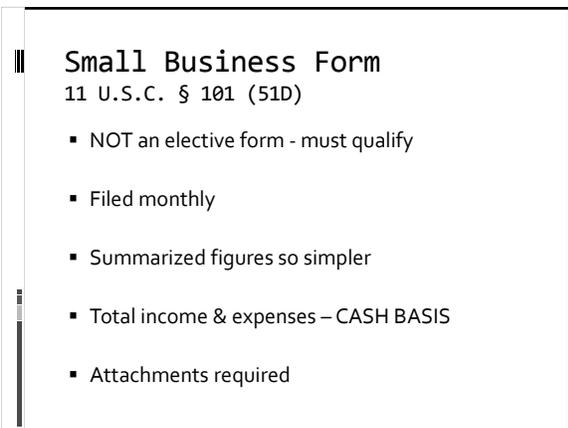
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### Post-confirmation Forms

- Only used once plan has been confirmed  
(Note: A confirmed case is NOT a closed case!)
- Filed quarterly
- Summarized figures so simpler
- Total income & expenses – CASH BASIS
- No attachments required

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### Special Formats

#### Small Business MOR

1. Cover Page / Questionnaire
2. Summary Income & Expenses
3. Summary Payables & Receivables
4. Projections
5. Detailed Attachments

#### Post-confirmation QOR

1. Cover Page
2. Summary Cash Receipts & Disbursements
3. Bank Reconciliations

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### Standard Accrual/Cash Forms

- Filed monthly
- Use the form that corresponds to how you typically maintain your books
- BOTH are cash/accrual hybrid reports designed to provide specific information

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### Standard Accrual/Cash Forms

- Very detailed
- All pages must be completed even if they are not applicable
- Attachments may be required

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### Standard MOR Formats

Accrual Basis		Cash Basis
1. Cover Page	→	1. Cover Page
2. Balance Sheet	→	2. Cash Receipts & Disbursements
3. Income Statement	→	3. Disbursement Detail
4. Cash Receipts & Disbursements	→	4. Bank Reconciliation
5. Receivable/Payable Aging	→	5. Assets of the Estate
6. Bank Reconciliation	→	6. Liabilities of the Estate
7. Payments to Insiders, etc.	→	7. Receivable/Payable Aging
8. Questionnaire	→	8. Payments to Insiders, etc.
		9. Questionnaire

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### Cash Receipts & Disbursements

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### Beginning Cash

Small Business - Pg 2

Cash on Hand at Start of Month

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### Beginning Cash

Post Confirmation - Pg 2

BEGINNING OF QUARTER CASH BALANCE:

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### Beginning Cash

Cash Basis - Pg 1 / Accrual Basis - MOR 3

1. CASH - BEGINNING OF MONTH

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### Beginning Cash - 1<sup>st</sup> MOR

- Creation of bankruptcy estate
- All cash on petition date = Sch B

SCHEDULE B - PERSONAL PROPERTY

Type of Property	Date	Description and Location of Property	Current Value of Debtor's Interest in Property, Without Deducting any Secured Claim or Exemption
1. Cash on hand		Petty cash	\$2,700.00
		Keller - \$900.00	
		Manuel - \$900.00 Washburn - \$900.00	
2. Checking, savings or other financial accounts, certificates of deposit or shares in banks, savings and loan, thrift, building and loan, and home-ownership associations, or credit unions, mortgage loans, or cooperatives.		Wells Fargo Bank Checking account	\$7,312.69
		Citizens Bank Checking account - \$0.00	\$7,329.31
		Checking account - \$8,407.71	
		Checking account - \$521.60	
		Paypal account	\$181.95
<b>Total</b>			<b>\$17,523.95</b>

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### Beginning Cash - 1<sup>st</sup> MOR

- Cannot be negative! If overdrawn, start with zero on MOR and talk with your attorney.
- Do NOT deduct prepetition outstanding checks! Talk with your attorney if you have them.

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### Beginning Cash - Subsequent MORs

- Ending cash from prior month (ALL cash)
- DO include postpetition outstanding checks
- Can be negative (but red flag!)

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### Example

CHECKBOOK REGISTER				
Date	Payee	Amount	Balance	Cleared?
			23,405.19	
02/03/11	Office Supply Warehouse	457.23	22,947.96	Yes
02/03/11	Furniture Sales R Us	1,503.24	21,444.72	No
02/06/11	Telephone Company	66.37	21,378.35	Yes
02/08/11	Airline Flight	1,315.12	20,063.23	Yes
02/17/11	Insurance Premium	3,457.98	16,605.25	Yes
02/19/11	Employee Salary	972.56	15,632.69	Yes
02/23/11	Turnip Advertising	1,012.11	14,620.58	No
02/27/11	Partner Distribution	7,500.00	7,120.58	No
02/28/11	Internet 4 Cheap	98.64	7,021.94	No
02/28/11	Auto Repairs Done Right	564.14	6,457.80	No
		16,947.39		

Petition Date = 02/25/11

Schedule B & Beg Cash on 1<sup>st</sup> MOR =

14,620.58  
+ 1,503.24  
+ 1,012.11  
**\$17,135.93**

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### Example

DIP CHECKBOOK REGISTER				
Date	Payee	Amount	Balance	Cleared?
			23,405.19	
02/03/11	Office Supply Warehouse	457.23	22,947.96	Yes
02/03/11	Furniture Sales R Us	1,503.24	21,444.72	No
02/06/11	Telephone Company	66.37	21,378.35	Yes
02/08/11	Airline Flight	1,315.12	20,063.23	Yes
02/17/11	Insurance Premium	3,457.98	16,605.25	Yes
02/19/11	Employee Salary	972.56	15,632.69	Yes
02/23/11	Turnip Advertising	1,012.11	14,620.58	No
02/27/11	Partner Distribution	7,500.00	7,120.58	No
02/28/11	Internet 4 Cheap	98.64	7,021.94	No
02/28/11	Auto Repairs Done Right	564.14	6,457.80	No
		16,947.39		

Petition Date = 12/25/10

Beginning Cash = \$23,405.19

Total Expenses = \$16,947.39

Ending Cash = \$6,457.80

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### Questions?

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### Cash Receipts

Small Business – Pg 2

**TOTAL INCOME**

**INCOME FOR THE MONTH (TOTAL FROM EXHIBIT B)**

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### Cash Receipts

Post Confirmation – Pg 2

CASH RECEIPTS:  
 CASH RECEIPTS DURING CURRENT QUARTER:  
 (a). Cash receipts from business operations  
 (b). Cash receipts from loan proceeds  
 (c). Cash receipts from contributed capital  
 (d). Cash receipts from tax refunds  
 (e). Cash receipts from other sources  
 TOTAL CASH RECEIPTS

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### Cash Receipts

Cash Basis – Pg 1 / Accrual Basis – MOR 3

**RECEIPTS**

2. CASH SALES
3. ACCOUNTS RECEIVABLE COLLECTIONS
4. LOANS AND ADVANCES
5. SALE OF ASSETS
6. LEASE & RENTAL INCOME
7. WAGES
8. OTHER (ATTACH LIST)
9. TOTAL RECEIPTS

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### || Cash Receipts

- Cash actually received
- Cash constructively received
- Accounts receivable collections
- You should be making frequent deposits

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### || Cash Receipts

- Loans & advances (loans need court approval so be sure to consult with your attorney)
- Do NOT include transfers between bank accounts of the same debtor (talk with your attorney if you have transfers between related entities)
- Do NOT include beginning cash in total receipts

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### || Questions?

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### Disbursements

Small Business – Pg 2

NET PAYROLL	10	
PAYROLL TAXES PAID	11	
SALES, USE & OTHER TAXES PAID	12	
INVENTORY PURCHASES	13	
MORTGAGE PAYMENTS	14	
OTHER SECURED NOTE PAYMENTS	15	
RENTAL & LEASE PAYMENTS	16	
UTILITIES	17	
INSURANCE	18	
VEHICLE EXPENSES	19	
TRAVEL	20	
ENTERTAINMENT	21	
REPAIRS & MAINTENANCE	22	
SUPPLIES	23	
ADVERTISING	24	
HOUSEHOLD EXPENSES	25	
CHARITABLE CONTRIBUTIONS	26	
GIFTS	27	
OTHER (ATTACH LIST)	28	
TOTAL ORDINARY DISBURSEMENTS	29	
REORGANIZATION EXPENSES		
PROFESSIONAL FEES	30	
U.S. TRUSTEE FEES	31	
OTHER (ATTACH LIST)	32	
TOTAL REORGANIZATION EXPENSES	33	
TOTAL DISBURSEMENTS	34	

**TOTAL EXPENSES**

EXPENSES FOR THE MONTH (TOTAL FROM EXHIBIT C)

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### Disbursements

Post Confirmation – Pg 2

CASH DISBURSEMENTS:

(A). PAYMENTS MADE UNDER THE PLAN:

- (1). Administrative
- (2). Secured Creditors
- (3). Priority Creditors
- (4). Unsecured Creditors
- (5). Additional Plan Payments

(B). OTHER PAYMENTS MADE THIS QUARTER:

- (1). General Business
- (2). Other Disbursements

TOTAL DISBURSEMENTS THIS QUARTER

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### Disbursements

Cash Basis – Pg 1 / Accrual Basis – MOR 3

10. NET PAYROLL	
11. PAYROLL TAXES PAID	
12. SALES, USE & OTHER TAXES PAID	
13. INVENTORY PURCHASES	
14. MORTGAGE PAYMENTS	
15. OTHER SECURED NOTE PAYMENTS	
16. RENTAL & LEASE PAYMENTS	
17. UTILITIES	
18. INSURANCE	
19. VEHICLE EXPENSES	
20. TRAVEL	
21. ENTERTAINMENT	
22. REPAIRS & MAINTENANCE	
23. SUPPLIES	
24. ADVERTISING	
25. HOUSEHOLD EXPENSES	
26. CHARITABLE CONTRIBUTIONS	
27. GIFTS	
28. OTHER (ATTACH LIST)	
29. TOTAL ORDINARY DISBURSEMENTS	
REORGANIZATION EXPENSES	
30. PROFESSIONAL FEES	
31. U.S. TRUSTEE FEES	
32. OTHER (ATTACH LIST)	
33. TOTAL REORGANIZATION EXPENSES	
34. TOTAL DISBURSEMENTS	

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### Disbursements

- Cash actually paid
- Cash constructively paid
- All checks issued during the month regardless of whether they have cleared the bank
- Include cash "Balance Sheet" transactions such as capitalized assets or shareholder loans

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### Disbursements

- Try to use categories provided
- Reorganization expenses include quarterly UST fee payments and payments to professionals (which need approval from the Court – so be sure to discuss these with your attorney)
- Do NOT include transfers between bank accounts of the same debtor (talk with your attorney if you have transfers between different entities)

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### Disbursement Detail

Cash Basis – Pg 1A

The screenshot shows a spreadsheet with columns for 'DATE', 'DESCRIPTION', 'AMOUNT', and 'BALANCE'. Three rows are highlighted with boxes and labels: 'A TOTAL CASH DISBURSEMENTS', 'B TOTAL BANK ACCOUNT DISBURSEMENTS', and 'C TOTAL DISBURSEMENTS FOR THE MONTH'. A plus sign is between A and B, and a box labeled 'A+B' is next to C. The spreadsheet title is 'Cash Basis – Pg 1A'.

Total must be consistent with total cash on page 1!

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### Disbursement Detail

Small Business:

- Attach detailed check register
- Total on attachment must match total expenses on page 2
- Remember to redact all but last 4 digits of bank account number on all attachments!

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### Questions?

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### Net Cash Flow

Small Business - Pg 2

GROSS REVENUE	
1. SALES TO RETAIL CUSTOMERS	10,000
2. SALES TO WHOLESALE CUSTOMERS	5,000
3. SALES TO GOVERNMENT	2,000
4. SALES TO OTHER	1,000
<b>5. TOTAL GROSS REVENUE</b>	<b>18,000</b>

EXPENSES	
1. SALARY	5,000
2. RENT	2,000
3. UTILITY	1,000
4. SUPPLY	1,000
5. OTHER	1,000
<b>6. TOTAL EXPENSES</b>	<b>10,000</b>

NET CASH FLOW	
1. GROSS REVENUE	18,000
2. TOTAL EXPENSES	(10,000)
<b>3. NET CASH FLOW</b>	<b>8,000</b>

CASH PROFIT FOR THE MONTH

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Questions?

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### Ending Cash

Small Business – Pg 2

Cash on Hand at End of Month  
PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU!

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### Ending Cash

Post Confirmation – Pg 2

CASH BALANCE END OF QUARTER

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Ending Cash

Cash Basis - Pg 1 / Accrual Basis - MOR 3

CASH - END OF MONTH

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Ending Cash

- Beginning cash + net cash flow
- MUST BALANCE!
- May NOT match balance on bank statement
- Rolls to beginning balance of next month

Cash Basis - Pg 1 / Accrual Basis - MOR 3

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Balancing Issues

- Incorrect beginning cash balance
- Footing, i.e. is the math right?
- Prepetition activity
- Including accrual or noncash transactions

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**Balancing Issues**

- Not including cash balance sheet transactions
- Prior period adjustments (may require an amendment – talk with your attorney)
- Using bank instead of book balances

Don't overthink it – follow the cash!!

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**BREAK**

Restrooms/Elevators: Out the door and to the right

Snack Bar: 1<sup>st</sup> Floor – turn right off the elevator and continue down the hall toward the next building

Cafeteria/Vending Machines: 6<sup>th</sup> Floor – turn right off the elevator and then make a left

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**Balance Sheet & Income Statement**

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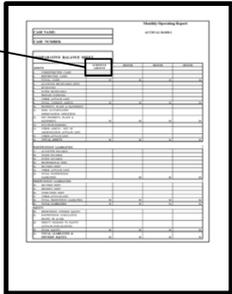
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### Comparative Balance Sheet

Accrual Basis – MOR 1

**SCHEDULE AMOUNT**



- Refers to bankruptcy schedules
- Fair Market Value (FMV)
- Reference point:  
Figures will not change from month to month

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### Comparative Balance Sheet

Accrual Basis – MOR 1

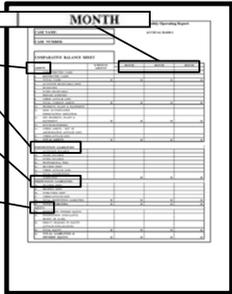
MONTH MONTH MONTH

ASSETS

POSTPETITION LIABILITIES

PREPETITION LIABILITIES

EQUITY



- Cost or Book Value
- Include non-cash items (depreciation, AR, AP, etc.)

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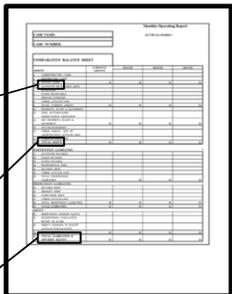
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### Comparative Balance Sheet

Accrual Basis – MOR 1

- Cash is Cash!  
Total cash must = ending cash on page 3

TOTAL CASH



- Balance Sheet must actually balance!

TOTAL ASSETS

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TOTAL LIABILITIES & OWNERS' EQUITY

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### Assets of the Estate

Cash Basis – Pg 3

**SCHEDULE AMOUNT**

- Refers to bankruptcy schedules
- Fair Market Value (FMV)
- Figures will not change
- Follows order & numbers in schedules

SCHEDULE "A"  
REAL PROPERTY

SCHEDULE "B"  
PERSONAL PROPERTY

1. CASH ON HAND
2. CHECKING, SAVINGS, ETC.
3. SECURITY DEPOSITS
4. HOUSEHOLD GOODS
5. BOOKS, PICTURES, ART

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### Assets of the Estate

Cash Basis – Pg 3

- Cash is Cash! Total cash for current month must = ending cash on page 1

**CASH ON HAND**  
**CHECKING, SAVINGS, ETC.**

- Use Fair Market Value (FMV)

CASH ON HAND  
CHECKING, SAVINGS, ETC.

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### Liabilities of the Estate

Cash Basis – Pg 4

**SCHEDULE AMOUNT**

- Refers to bankruptcy schedules
- Reference point: Figures will not change from month to month

SCHEDULE AMOUNT

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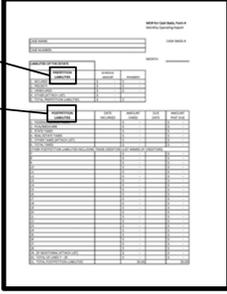
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### Liabilities of the Estate

Cash Basis – Pg 4

**PREPETITION LIABILITIES**

**POSTPETITION LIABILITIES**



- Bills NOT yet been paid
- Liabilities are broken into pre-petition and post-petition

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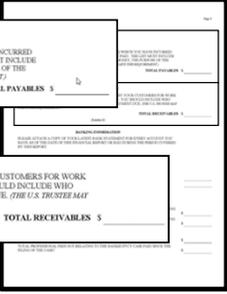
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### Unpaid Bills / Money Owed to You

Small Business – Pg 3

- Bills NOT yet been paid
- Money that is owed to you that has NOT been paid
- Remember to attach Exhibits D & E with detail!!



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### Income Statement

Accrual Basis – MOR2

**REVENUES**

1. GROSS REVENUES

2. LESS: RETURNS & DISCOUNTS

3. NET REVENUE

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**COST OF GOODS SOLD**

4. MATERIAL

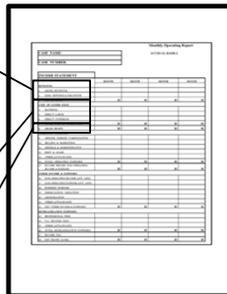
5. DIRECT LABOR

6. DIRECT OVERHEAD

7. TOTAL COST OF GOODS SOLD

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8. GROSS PROFIT



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### Income Statement

Accrual Basis – MOR2

**8. GROSS PROFIT**

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**OPERATING EXPENSES**

9. OFFICER / INSIDER COMPENSATION

10. SELLING & MARKETING

11. GENERAL & ADMINISTRATIVE

12. RENT & LEASE

13. OTHER (ATTACH LIST)

14. TOTAL OPERATING EXPENSES

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15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE

MONTHLY REPORTING PERIOD		MONTHS ENDING			
PERIOD		2011	2012	2013	2014
<b>REVENUE</b>					
Net Sales					
Other Revenue					
<b>Net Revenue</b>					
<b>EXPENSES</b>					
Cost of Sales					
Operating Expenses					
Depreciation & Amortization					
Interest Expense					
Income Tax Expense					
Other Expenses					
<b>Total Expenses</b>					
<b>Income Before Non-Operating Income &amp; Expense</b>					

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### Income Statement

Accrual Basis – MOR2

15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE

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**OTHER INCOME & EXPENSES**

16. NON-OPERATING INCOME (ATT. LIST)

17. NON-OPERATING EXPENSE (ATT. LIST)

18. INTEREST EXPENSE

19. DEPRECIATION / DEPLETION

20. AMORTIZATION

21. OTHER (ATTACH LIST)

22. NET OTHER INCOME & EXPENSES

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**REORGANIZATION EXPENSES**

23. PROFESSIONAL FEES

24. U.S. TRUSTEE FEES

25. OTHER (ATTACH LIST)

26. TOTAL REORGANIZATION EXPENSES

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27. INCOME TAX

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28. NET PROFIT (LOSS)

MONTHLY REPORTING PERIOD		MONTHS ENDING			
PERIOD		2011	2012	2013	2014
<b>REVENUE</b>					
Net Sales					
Other Revenue					
<b>Net Revenue</b>					
<b>EXPENSES</b>					
Cost of Sales					
Operating Expenses					
Depreciation & Amortization					
Interest Expense					
Income Tax Expense					
Other Expenses					
<b>Total Expenses</b>					
<b>Income Before Non-Operating Income &amp; Expense</b>					
<b>Net Other Income &amp; Expenses</b>					
<b>Reorganization Expenses</b>					
<b>Income Tax</b>					
<b>Net Profit (Loss)</b>					

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### Income Statement

Accrual Basis – MOR2

- Include non-cash items such as depreciation, etc.
- Remember to separate Reorganization Expenses (professionals, UST fees, etc)
- Remember that professional fees may need Court approval – so talk with your attorney if you have them
- Net Profit/Loss ≠ Net Cash Flow

MONTHLY REPORTING PERIOD		MONTHS ENDING			
PERIOD		2011	2012	2013	2014
<b>REVENUE</b>					
Net Sales					
Other Revenue					
<b>Net Revenue</b>					
<b>EXPENSES</b>					
Cost of Sales					
Operating Expenses					
Depreciation & Amortization					
Interest Expense					
Income Tax Expense					
Other Expenses					
<b>Total Expenses</b>					
<b>Income Before Non-Operating Income &amp; Expense</b>					
<b>Net Other Income &amp; Expenses</b>					
<b>Reorganization Expenses</b>					
<b>Income Tax</b>					
<b>Net Profit (Loss)</b>					

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Questions?

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Receivable/Payable Aging

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**Receivable/Payable Aging**

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

ACCOUNTS RECEIVABLE AGING	
1.	0-30
2.	31-60
3.	61-90
4.	91+
5.	TOTAL ACCOUNTS RECEIVABLE
6.	AMOUNT CONSIDERED UNCOLLECTIBLE
7.	ACCOUNTS RECEIVABLE (NET)

- Refers to bankruptcy schedules
- Reference point: Figures will not change from month to month
- Breaks out total receivables by how old they are
- If accrual basis - must match figures reported on page MOR 1

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### Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
FEDERAL					
STATE					
LOCAL					
OTHER ATTACH LIST					
<b>TOTAL TAXES PAYABLE</b>	\$0	\$0	\$0	\$0	\$0

- Breaks out post-petition taxes payable by how old they are

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### Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

ACCOUNTS PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL

- Breaks out post-petition accounts payable by how old they are

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### Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

STATE OF POSSESSION TAXES	RECURRING TAX LIABILITY	NON-RECURRING TAX LIABILITY	AMOUNT PAID	TOTAL TAX LIABILITY
FEDERAL				
STATE AND LOCAL				
OTHER ATTACH LIST				
<b>TOTAL TAXES</b>	\$0	\$0	\$0	\$0

- Breaks out post-petition taxes payable by type of tax
- Total on line #5 must match ending tax liability total on line #16
- Running total

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## Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A



The image shows a screenshot of a financial statement with multiple tables. The tables are organized into sections for 'Assets' and 'Liabilities'. The 'Assets' section includes a table for 'Receivables' and another for 'Payables'. The 'Liabilities' section includes a table for 'Accounts Payable' and another for 'Accounts Receivable'. The tables contain columns for various categories and amounts.

**Figures must be consistent!**

- Cash MOR:  
Assets of the Estate, Pg 3  
Liabilities of the Estate, Pg 4
- Accrual MOR:  
Comparative Balance, MOR 1

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## Questions?

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## Bank Reconciliation

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### Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

Acct #1    Acct #2    Acct #3

A. BANK  
B. ACCOUNT NUMBER  
C. PURPOSE (TYPE):

Never report the full bank account number – use only the last 4 digits!

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### Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

1. BALANCE PER BANK STATEMENT  
+

2. ADD: TOTAL DEPOSITS NOT CREDITED  
=

3. SUBTRACT: OUTSTANDING CHECKS  
=

5. MONTH END BALANCE PER BOOKS

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### Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

BANK RECONCILIATIONS  
+

INVESTMENT ACCOUNTS  
+

CASH  
=

TOTAL CASH - END OF MONTH

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### Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5



**TOTAL CASH - END OF MONTH**

Figures must be consistent!

Cash MOR:

- Cash Receipts & Disbursements, Pg 1
- Assets of the Estate, Pg 3

Accrual MOR:

- Comparative Balance Sheet, MOR 1
- Cash Receipts & Disbursements, MOR 3

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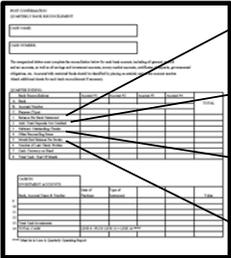
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### Bank Reconciliation

Post-Confirmation Pg 3



**1. BALANCE PER BANK STATEMENT**

**+**

**2. ADD: TOTAL DEPOSITS NOT CREDITED**

**-**

**3. SUBTRACT: OUTSTANDING CHECKS**

**=**

**5. MONTH END BALANCE PER BOOKS**

Never report the full bank account number – use only the last 4 digits!

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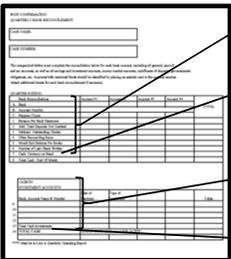
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### Bank Reconciliation

Post-Confirmation Pg 3



**Bank Reconciliations**

**+**

**Cash: Currency on Hand**

**+**

**INVESTMENT ACCOUNTS**

**=**

**TOTAL CASH**

Must match Cash Balance End of Quarter reported on line #4 of Page 2!

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**Bank Reconciliation**

Small Business:

- Attach copies of bank statements
- Attach copies of bank reconciliations
- Remember to redact all but last 4 digits of bank account number on all attachments!

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**Questions?**

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**Special Payments**



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## Payments to Insiders

Cash Basis – Pg 5 / Accrual Basis – MOR 6

INSIDERS				
1	NAME	TYPE OF PAYMENT	AMOUNT PAID	TTL PD TO DATE
2				
3				
4				
5				
TOTAL PAYMENTS TO INSIDERS			\$ -	\$ -

- Include actual and constructive payments
- Includes family members or officers – but see your attorney for a full definition

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## Payments to Professionals

Cash Basis – Pg 5 / Accrual Basis – MOR 6

PROFESSIONALS						
1	NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TTL PAID TO DATE	TOTAL INCURRED & UNPAID
2						
3						
4						
5						
TOTAL PAYMENTS TO PROFESSIONALS			\$0.00	\$0.00	\$0.00	\$0.00

- Actual and constructive payments
- List payments to attorneys, accountants, real estate brokers, management companies, appraisers, etc.
- Hiring and paying professionals requires Court approval – so be sure to consult with your attorney before doing either!

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## Payments to Secured Creditors

Cash Basis – Pg 5 / Accrual Basis – MOR 6

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS				
1	NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POST-PETITION
2				\$ -
3				\$ -
4				\$ -
5				\$ -
G. TOTAL			\$ -	\$ -

- Actual and constructive payments
- List post-petition payments on secured notes, leases payable, and adequate protection payments

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## Professional Fees

Small Business – Page 3

PROFESSIONAL FEES	
<b>BANKRUPTCY RELATED:</b>	
PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ _____
<b>NON-BANKRUPTCY RELATED:</b>	
PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ _____

**INSTRUCTIONS:**  
1. Enter the amount of professional fees paid during the reporting period.  
2. Enter the amount of professional fees paid since the filing of the case.

BANKRUPTCY FEES	
PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD	\$ _____
TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE	\$ _____
PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD	\$ _____
TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE	\$ _____

- Actual or constructive payments
- Payments to professionals (attorneys, accountants, real estate brokers, etc) broken down by bankruptcy related and non-bankruptcy related

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## Questions?

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## Questionnaire

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Questions?

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UST Quarterly Fees

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UST Fee Requirements

- Statutory fees used to defray cost
- Based on cash disbursements per quarter as reported on the operating reports

DISBURSEMENT CATEGORY	QUARTERLY FEE DUE
\$0 - \$14,999	\$325
\$15,000 - \$74,999	\$650
\$75,000 - \$149,999	\$975
\$150,000 - \$224,999	\$1,625
\$225,000 - \$299,999	\$1,950
\$300,000 - \$999,999	\$4,875
\$1,000,000 - \$1,999,999	\$6,500
\$2,000,000 - \$2,999,999	\$9,750
\$3,000,000 - \$4,999,999	\$10,400
\$5,000,000 - \$14,999,999	\$13,000
\$15,000,000 - \$29,999,999	\$20,000
\$30,000,000 - or more	\$30,000

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### UST Fee Requirements

- Calculated on actual and constructive disbursements
- Remember to budget for extra UST fees if a sale generates funds used to pay off debt!

DISBURSEMENT CATEGORY	QUARTERLY FEE DUE
\$0 - \$14,999	\$325
\$15,000 - \$74,999	\$650
\$75,000 - \$149,999	\$975
\$150,000 - \$224,999	\$1,625
\$225,000 - \$299,999	\$1,950
\$300,000 - \$999,999	\$4,875
\$1,000,000 - \$1,999,999	\$6,500
\$2,000,000 - \$2,999,999	\$9,750
\$3,000,000 - \$4,999,999	\$10,400
\$5,000,000 - \$14,999,999	\$13,000
\$15,000,000 - \$29,999,999	\$20,000
\$30,000,000 - or more	\$30,000

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### UST Fee Requirements

- Your case is NOT CLOSED when your plan has been confirmed!
- Fees are owed until your attorney files a motion to close your case and it is approved by the Court or until the Court converts or dismisses your case

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### UST Fee Requirements

- Delinquent on the last day of the month following the calendar quarter
- Fees are NOT prorated

1 <sup>st</sup> Quarter	January 1 <sup>st</sup> to March 31 <sup>st</sup>	Due April 30 <sup>th</sup>
2 <sup>nd</sup> Quarter	April 1 <sup>st</sup> to June 30 <sup>th</sup>	Due July 31 <sup>st</sup>
3 <sup>rd</sup> Quarter	July 1 <sup>st</sup> to September 30 <sup>th</sup>	Due October 31 <sup>st</sup>
4 <sup>th</sup> Quarter	October 1 <sup>st</sup> to December 31 <sup>st</sup>	Due January 31 <sup>st</sup>

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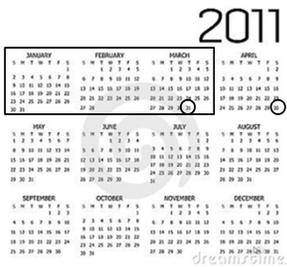
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### UST Fee Requirements



If you file bankruptcy on 03/31/11:

You will owe UST fees for 1<sup>st</sup> Quarter

Fees become delinquent on 04/30/11

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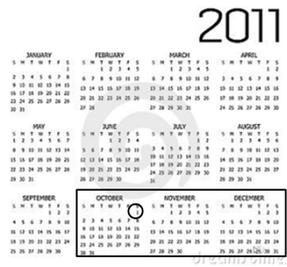
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### UST Fee Requirements



If the Court closes your case on 10/01/11:

You will owe UST fees for 4<sup>th</sup> Quarter

Fees become delinquent on 01/31/12

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### Consequences of Non-Payment

- Dismissal of your case by the Court
- Conversion of your case to a Chapter 7 (liquidation) by the Court
- Assessment of late fees
- Referral to the US Treasury for collection

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**Jointly Administered Cases**

- Separate MORs are filed for each case
- UST fees are calculated separately for each entity
- Talk with your attorney about whether you have cases that should be jointly administered

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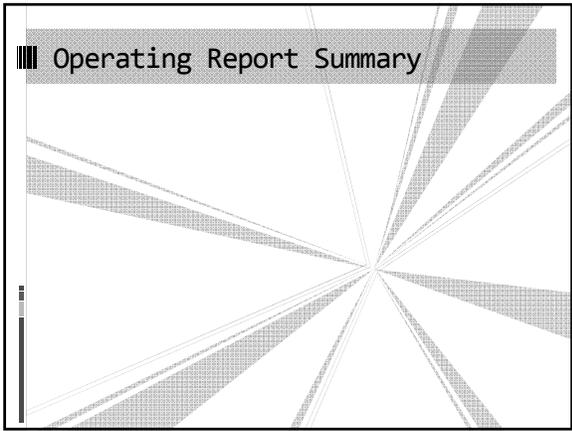
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**Operating Report Summary**



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**Summary**

- Start with the correct beginning cash figure
- Cash figures are reported on both the Accrual and Cash Basis reports (hybrids)
- Don't take the reports lightly: complete all pages; ensure the report balances; and that figures are consistent

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**Summary**

- Review reports prior to filing – they represent the financial activity of your business and you are signing them under penalty of perjury
- File reports timely (20<sup>th</sup> of the month)
- Pay UST fees timely (delinquent on the last day of month following quarter) and include them in your Plan

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**Helpful Tips**

- Focus on accurate reporting – remember you are signing under penalty of perjury
- “Tick & Tie” prior to filing (use proof/checklist)
- Cash is King
- If in doubt...write notes! Anticipate questions!

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**Helpful Tips**

- Attach additional schedules to boost a report
- Avoid red flags that trigger further inquiry
- Use the operating reports as a tool – what do the reports say about your business?

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### Helpful Tips

- Do your own UST fee calculations
- Consider a bookkeeper or CPA (but hiring and paying professionals requires Court approval, so be sure to talk with your attorney first)
- Upon confirmation – follow up with your attorney about the motion for final decree and when to ask the judge to close your case

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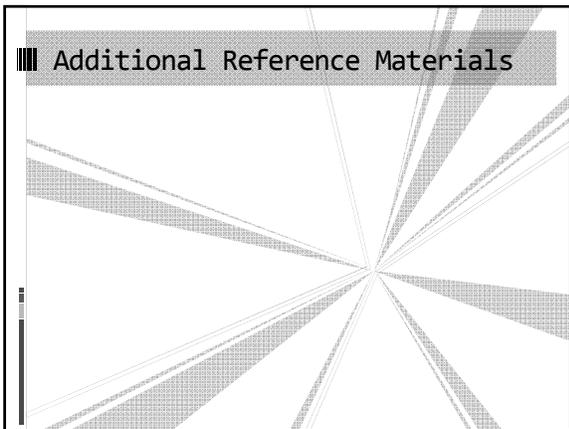
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### Additional Reference Materials



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- Operating Report Blank Forms  
(Adobe Acrobat PDF & Microsoft Excel)
- Operating Report Pre-Filing Proofs/Checklists

[http://www.justice.gov/ust/ro6/reg\\_info.htm](http://www.justice.gov/ust/ro6/reg_info.htm)  
(Under General Information > Operating Reports)

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## Thank You for Attending!

Our Direct Contact Information\*

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If you need a CPE certificate – please see us before you leave.

\*Remember that we cannot provide legal advice and that we cannot speak to you directly unless your attorney has given us permission to do so.

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