

OPERATING REPORT WORKSHOP

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

Presenters:

Bankruptcy Analysts
Office of the U.S. Trustee

Dallas Office – Northern District
Brad Perdue, CPA (214) 767-1087
Kendra Rust, CPA (214) 767-1240

Tyler Office – Eastern District
Sam Baker, MBA (903) 590-1450 ext 213

You Will Need:

- Operating Report Workshop Slide Show Notes
- Blank Operating Report Form

www.justice.gov/ust/ro6/reg_info.htm

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)

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

Workshop Focus

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

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
- Provide some helpful & practical tips

The Basics

Purpose of Operating Reports

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

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

Requirements

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

Requirements

- Must complete all pages & provide required attachments
- Due on the 20th of the month for the period prior (monthly or quarterly)
- Your attorney must file an electronic copy with the Court

Requirements

- Your attorney MUST keep hard copy with original signatures (he/she may be required to produce upon request by Court or UST)
- Continue filing until case is closed or until converted or dismissed
- A confirmed case is NOT a closed case!

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

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

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.

Fundamental Concepts

Cash vs. Accrual

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

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

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 the tables. Tables are sold for \$800 each and you collect a \$100 initial deposit.

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

Creation of Bankruptcy Estate

- New taxable 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

←—————→

Prepetition Petition/Filing Date Postpetition

7

UST Operating Report Formats

Four Available Formats

- Small Business (pink)
- Post-Confirmation (green)
- Accrual Basis (orange)
- Cash Basis (blue)

"MOR" = Monthly Operating Report
"PCR" = Post-Confirmation Operating Report

Small Business Form 425C 11 U.S.C. § 101 (51D)

- NOT an elective form - must qualify
- Filed monthly
- Summarized figures so simpler
- Total income & expenses – CASH BASIS
- Attachments required

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

Special Formats

Small Business Report	Post-Confirmation Report
Cover Page	1. Cover Page
1. Questionnaire	2. Summary Cash Receipts & Disbursements
2. Summary Cash Activity	3. Bank Reconciliations
3. Unpaid Bills	
4. Money Owed to You	
5. Employees	
6. Professional Fees	
7. Projections	
8. Additional Information (Attachments)	

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

Standard Accrual/Cash Forms

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

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

Cash Receipts & Disbursements

Beginning Cash

Small Business – Pg 2

19. Total opening balance of all accounts

Beginning Cash

Post Confirmation – Pg 2

BEGINNING OF QUARTER CASH BALANCE:

Beginning Cash

Cash Basis - Pg 1 / Accrual Basis - MOR 3

1. CASH - BEGINNING OF MONTH

Beginning Cash - 1st MOR

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

Beginning Cash - 1st MOR

- Individual – Form 106 A/B:

Part 6 Describe Your Financial Assets

Do you have or have any legal or equitable interest in any of the following? Current value of the property, if any (see instructions for exceptions)

16 Cash
Examples: Money you have in your wallet, in your home, in a safe deposit box, and on hand when you file your petition.

☐ No ☒ Yes Cash: \$ 2,700.00

17 Deposits of money
Examples: Checking, savings, or other financial accounts; certificates of deposit; shares in credit unions, brokerage houses, and other similar institutions. If you have multiple accounts with the same institution, list each.

☐ No ☒ Yes

Institution name	Current value of the property, if any
17.1 Checking account: Wells Fargo Bank (2072)	\$ 7,312.69
17.2 Checking account: Citizens Bank (5307)	\$ 0.00
17.3 Savings account	
17.4 Savings account	
17.5 Certificate of deposit	
17.6 Other financial account: Citizens Bank (8376) - Checking Account	\$ 6,807.71
17.7 Other financial account: Citizens Bank (4324) - Checking Account	\$ 521.60
17.8 Other financial account: Paypal Account	\$ 181.95
17.9 Other financial account	
Total:	\$17,523.95

Beginning Cash - 1st MOR

- Non-Individual – Form 206 A/B:

Part 1: Cash and cash equivalents

1. Does the debtor have any cash or cash equivalents?
☐ No. Go to Part 2.
☒ Yes. Fill in the information below.

All cash or cash equivalents owned or controlled by the debtor		Current value of debtor's interest
2. Cash on hand		\$ 2,700.00
3. Checking, savings, money market, or financial brokerage accounts (Identify all)		
Name of institution (bank or brokerage firm)	Type of account	Last 4 digits of account number
3.1 Wells Fargo Bank	Checking	2 3 7 2
		\$ 7,312.69
3.2 Citizens Bank	Checking	5 3 7 6
		\$ 0.00
3.3 Citizens Bank	Checking	8 3 7 6
		\$ 6,807.71
4. Other cash equivalents (Identify all)		
4.1 Citizens Bank - Checking - 4324		\$ 521.60
4.2 Paypal Account		\$ 181.95
5. Total of Part 1		\$ 17,523.95

Add lines 2 through 4 (including amounts on any additional sheets). Copy the total to line 80.

Beginning Cash - 1st 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.

Beginning Cash – Subsequent MORs

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

Example

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 A/B & Beg Cash on 1st MOR =

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

Example

DIP CHECKBOOK REGISTER				
Date	Payee	Amount	Balance	Cleared?
02/03/11	Office Supply Warehouse	457.23	23,405.19	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

Cash Receipts

Small Business – Pg 2

20. Total cash receipts

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

Cash Receipts

Cash Basis – Pg 1 / Accrual Basis – MOR 3

CASH RECEIPTS		DATE RECEIVED		DATE DUE		DATE PAID		DATE RECEIVED	
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									

Cash Receipts

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

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

Cash Receipts

Small Business:

- Attach supporting schedule for cash receipts:
Exhibit C
- Total on attachment must match total cash receipts reported on line 20

Disbursements

Small Business – Pg 2

21. Total cash disbursements

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

Disbursements

Cash Basis – Pg 1 / Accrual Basis – MOR 3

CASH BASIS		CASH BASIS			
DATE	DESCRIPTION	MONTH	MONTH	MONTH	MONTH
1/1/18	1. CASH ON HAND				
1/1/18	2. ACCOUNTS RECEIVABLE				
1/1/18	3. INVENTORY				
1/1/18	4. PREPAID EXPENSES				
1/1/18	5. PROPERTY, PLANT & EQUIPMENT				
1/1/18	6. ACCUMULATED DEPRECIATION				
1/1/18	7. DEFERRED INCOME TAXES				
1/1/18	8. DEFERRED EXPENSES				
1/1/18	9. OTHER ASSETS				
1/1/18	10. OTHER LIABILITIES				
1/1/18	11. ACCOUNTS PAYABLE				
1/1/18	12. SHORT-TERM DEBT				
1/1/18	13. LONG-TERM DEBT				
1/1/18	14. EQUITY				
1/1/18	15. RETAINED EARNINGS				
1/1/18	16. OTHER EQUITY				
1/1/18	17. TOTAL ASSETS				
1/1/18	18. TOTAL LIABILITIES & EQUITY				

DISBURSEMENTS

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

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

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)

Disbursements

Small Business:

- Attach supporting schedule for cash disbursements:
Exhibit D
- Total on attachment must match total cash disbursements reported on line 21

Disbursement Detail

Cash Basis - Pg 1A

A	TOTAL CASH DISBURSEMENTS	
+		
B	TOTAL BANK ACCOUNT DISBURSEMENTS	
=		
C	TOTAL DISBURSEMENTS FOR THE MONTH	A + B

Total must be consistent with total cash on page 1!

Disbursement Detail

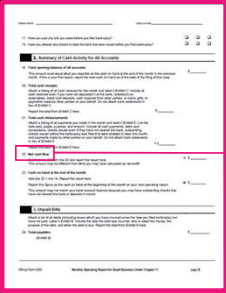
Small Business:

- 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!

Net Cash Flow

Small Business – Pg 2

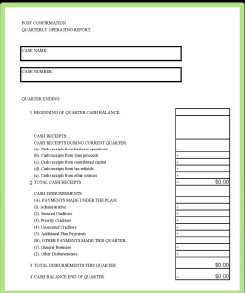
22. Net cash flow



Net Cash Flow

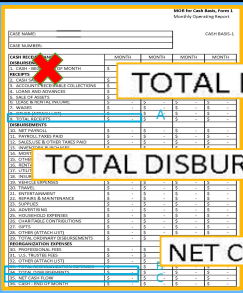
Post Confirmation – Pg 2

N/A



Net Cash Flow

Cash Basis – Pg 1 / Accrual Basis – MOR 3



TOTAL RECEIPTS A

TOTAL DISBURSEMENTS B

NET CASH FLOW C

May not be indicative of profitability

19

Projections (Don't Skip!)

- Planning tool
- Income - Expenses = Profit
- Compare actual to budget
- Projections for next month

Small Business - Pg 3

7. Projections

Compare actual sales, expenses and other amounts to what you projected in the previous month. Projected figures for the first month should match those provided at the initial order placement. If any

	Column 1 Projected	Column 2 Actual	Column 3 Difference
Days from 01 to 31 from last month (Month 1)		Days from 01 to 31 of this month	
(1) Cash receipts	\$	\$	\$
(2) Cash disbursements	\$	\$	\$
(3) Net cash flow	\$	\$	\$
(4) Total projected cash receipts for the next month	\$		
(5) Total projected cash disbursements for the next month	\$		
(6) Total projected cash flow for the next month	\$		

Small Business - Pg 3

Ending Cash

Small Business - Pg 2

23. Cash on hand at the end of the month

23. Cash on hand at the end of the month

23. Cash on hand at the end of the month

Ending Cash

Post Confirmation - Pg 2

CASH BALANCE END OF QUARTER

POST CONFIRMATION
QUARTERLY OPERATING REPORT

DATE: _____

QUARTER: _____

QUARTER ENDINGS

1. DISBURSEMENT OF QUARTER CASH BALANCE

(1) Cash receipts from confirmed capital
(2) Cash receipts from confirmed
(3) Cash receipts from confirmed

2. TOTAL CASH RECEIPTS

3. CASH DISBURSEMENTS

(1) Cash disbursements
(2) Cash disbursements
(3) Cash disbursements
(4) Cash disbursements
(5) Cash disbursements
(6) Cash disbursements
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(95) Cash disbursements
(96) Cash disbursements
(97) Cash disbursements
(98) Cash disbursements
(99) Cash disbursements
(100) Cash disbursements

4. CASH BALANCE END OF QUARTER

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

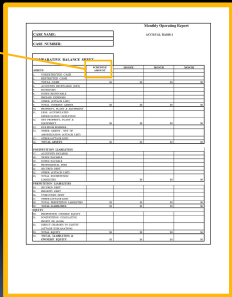
Don't overthink it – follow the cash!!

Balance Sheet & Income Statement

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

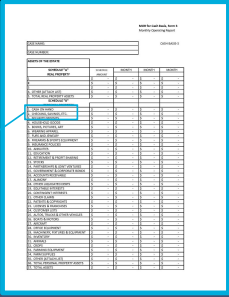
Assets of the Estate

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)

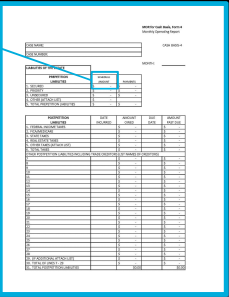


Liabilities of the Estate

Cash Basis – Pg 4

SCHEDULE AMOUNT

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



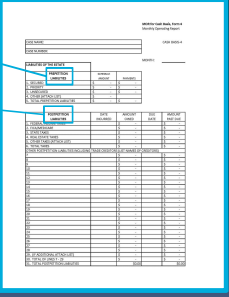
Liabilities of the Estate

Cash Basis – Pg 4

PREPETITION LIABILITIES

POSTPETITION LIABILITIES

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



Balance Sheet

Small Business:

- If prepared, attach Balance Sheet

8. Additional Information

If available, check the box to the left and attach copies of the following documents.

- ☐ 38. Bank statements for each open account (redact all but the last 4 digits of account numbers).
- ☐ 39. Bank reconciliation reports for each account.
- ☐ 40. Financial reports such as an income statement (profit & loss) and/or balance sheet.
- ☐ 41. Budget, projection, or forecast reports.
- ☐ 42. Project, job costing, or work-in-progress reports.

Unpaid Bills

Small Business:

- Bills NOT yet been paid
- Remember to attach Exhibit E with detail!

Small Business – Pg 2

3. Unpaid Bills

Attach a list of all debts (including taxes) which you have incurred since the date you filed bankruptcy but have not paid. Label it Exhibit E. Include the date the debt was incurred, who is owed the money, the purpose of the debt, and when the debt is due. Report the total from Exhibit E here.

24. Total payables (Exhibit E) \$ _____

4. Unpaid Taxes

Identify all unpaid taxes (including sales tax, property tax, and other taxes) which you have incurred since the date you filed bankruptcy but have not paid. Label it Exhibit F. Include the date the tax was incurred, the amount owed, and when payment is due. Report the total from Exhibit F here.

25. Total tax payables (Exhibit F) \$ _____

Money Owed to You

Small Business:

- Money that is owed to you that has NOT been paid
- Remember to attach Exhibit F with detail!

Small Business – Pg 3

4. Money Owed to You

Attach a list of all amounts owed to you by your customers for work you have done or merchandise you have sold. Include amounts owed to you both before, and after you filed bankruptcy. Label it Exhibit F. Identify who owes you money, how much is owed, and when payment is due. Report the total from Exhibit F here.

26. Total receivables (Exhibit F) \$ _____

5. Unpaid Debts

Identify all unpaid debts (including credit cards, loans, and other debts) which you have incurred since the date you filed bankruptcy but have not paid. Label it Exhibit G. Include the date the debt was incurred, the amount owed, and when payment is due. Report the total from Exhibit G here.

27. Total debt payables (Exhibit G) \$ _____

Income Statement

Accrual Basis – MOR2

REVENUES			
1.	GROSS REVENUES		
2.	LESS: RETURNS & DISCOUNTS		
3.	NET REVENUE		
COST OF GOODS SOLD			
4.	MATERIAL		
5.	DIRECT LABOR		
6.	DIRECT OVERHEAD		
7.	TOTAL COST OF GOODS SOLD		
8.	GROSS PROFIT		

FOR YEAR			
FOR YEAR			
REVENUES			
1.	GROSS REVENUES		
2.	LESS: RETURNS & DISCOUNTS		
3.	NET REVENUE		
COST OF GOODS SOLD			
4.	MATERIAL		
5.	DIRECT LABOR		
6.	DIRECT OVERHEAD		
7.	TOTAL COST OF GOODS SOLD		
8.	GROSS PROFIT		

Income Statement

Accrual Basis – MOR2

8. GROSS PROFIT			
OPERATING EXPENSES			
9.	OFFICER/INSIDER COMPENSATION		
10.	SELLING & MARKETING		
11.	GENERAL & ADMINISTRATIVE		
12.	RENT & LEASE		
13.	OTHER (ATTACH LIST)		
14.	TOTAL OPERATING EXPENSES		
15.	INCOME BEFORE NON-OPERATING INCOME & EXPENSE		

FOR YEAR			
FOR YEAR			
REVENUES			
1.	GROSS REVENUES		
2.	LESS: RETURNS & DISCOUNTS		
3.	NET REVENUE		
COST OF GOODS SOLD			
4.	MATERIAL		
5.	DIRECT LABOR		
6.	DIRECT OVERHEAD		
7.	TOTAL COST OF GOODS SOLD		
8.	GROSS PROFIT		
OPERATING EXPENSES			
9.	OFFICER/INSIDER COMPENSATION		
10.	SELLING & MARKETING		
11.	GENERAL & ADMINISTRATIVE		
12.	RENT & LEASE		
13.	OTHER (ATTACH LIST)		
14.	TOTAL OPERATING EXPENSES		
15.	INCOME BEFORE NON-OPERATING INCOME & EXPENSE		

Income Statement

Accrual Basis – MOR2

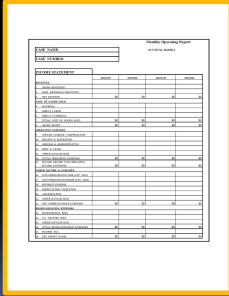
13. INCOME BEFORE NON-OPERATING INCOME & EXPENSE			
OTHER INCOME & EXPENSES			
16.	NON-OPERATING INCOME (ATT. LIST)		
17.	NON-OPERATING EXPENSE (ATT. LIST)		
18.	INTEREST EXPENSE		
19.	DEPRECIATION / DEPLETION		
20.	AMORTIZATION		
21.	OTHER (ATTACH LIST)		
22.	NET OTHER INCOME & EXPENSES		
REORGANIZATION EXPENSES			
23.	PROFESSIONAL FEES		
24.	U.S. TRUSTEE FEES		
25.	OTHER (ATTACH LIST)		
26.	TOTAL REORGANIZATION EXPENSES		
27.	INCOME TAX		
28.	NET PROFIT (LOSS)		

FOR YEAR			
FOR YEAR			
REVENUES			
1.	GROSS REVENUES		
2.	LESS: RETURNS & DISCOUNTS		
3.	NET REVENUE		
COST OF GOODS SOLD			
4.	MATERIAL		
5.	DIRECT LABOR		
6.	DIRECT OVERHEAD		
7.	TOTAL COST OF GOODS SOLD		
8.	GROSS PROFIT		
OPERATING EXPENSES			
9.	OFFICER/INSIDER COMPENSATION		
10.	SELLING & MARKETING		
11.	GENERAL & ADMINISTRATIVE		
12.	RENT & LEASE		
13.	OTHER (ATTACH LIST)		
14.	TOTAL OPERATING EXPENSES		
15.	INCOME BEFORE NON-OPERATING INCOME & EXPENSE		
OTHER INCOME & EXPENSES			
16.	NON-OPERATING INCOME (ATT. LIST)		
17.	NON-OPERATING EXPENSE (ATT. LIST)		
18.	INTEREST EXPENSE		
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20.	AMORTIZATION		
21.	OTHER (ATTACH LIST)		
22.	NET OTHER INCOME & EXPENSES		
REORGANIZATION EXPENSES			
23.	PROFESSIONAL FEES		
24.	U.S. TRUSTEE FEES		
25.	OTHER (ATTACH LIST)		
26.	TOTAL REORGANIZATION EXPENSES		
27.	INCOME TAX		
28.	NET PROFIT (LOSS)		

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 \neq Net Cash Flow



Income Statement

Small Business:

- If prepared, attach Income Statement

8. Additional Information

If available, check the box to the left and attach copies of the following documents.

- ☐ 38. Bank statements for each open account (redact all but the last 4 digits of account numbers).
- ☐ 39. Bank reconciliation reports for each account.
- ☐ 40. Financial reports such as an income statement (profit & loss) and/or balance sheet.
- ☐ 41. Budget, projection, or forecast reports.
- ☐ 42. Project, job costing, or work-in-progress reports.

Receivable/Payable Aging



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

Receivable/Payable Aging

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

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

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

Receivable/Payable Aging

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

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

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

Receivable/Payable Aging

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

- 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

Receivable/Payable Aging

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

Figures must be consistent!

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



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!

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

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

BANK RECONCILIATIONS

+

INVESTMENT ACCOUNTS

+

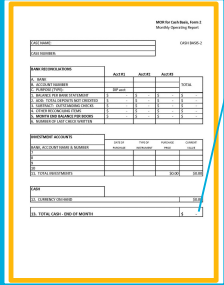
CASH

=

TOTAL CASH - END OF MONTH

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5



TOTAL CASH - END OF MONTH

Figures must be consistent!

Cash MOR:

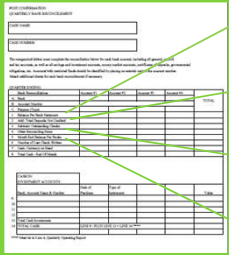
- Cash Receipts & Disbursements, Pg 1
- Assets of the Estate, Pg 3

Accrual MOR:

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

Bank Reconciliation

Post-Confirmation Pg 3



1. BALANCE PER BANK STATEMENT

+

2. ADD: TOTAL DEPOSITS NOT CREDITED

=

3. SUBTRACT: OUTSTANDING CHECKS

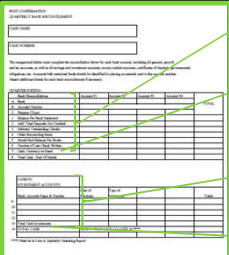
=

5. MONTH END BALANCE PER BOOKS

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

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!

Bank Reconciliation

Small Business:

- Attach bank statements
- Attach bank reconciliations
- Redact all but last 4 digits of bank account number on all attachments!

8. Additional Information

If available, check the box to the left and attach copies of the following documents.

- ☒ 38. Bank statements for each open account (redact all but the last 4 digits of account numbers).
- ☒ 39. Bank reconciliation reports for each account.
- ☐ 40. Financial reports such as an income statement (profit & loss) and/or balance sheet.
- ☐ 41. Budget, projection, or forecast reports.
- ☐ 42. Project, job costing, or work-in-progress reports.

Special Payments

Payments to Insiders

Cash Basis – Pg 5 / Accrual Basis – MOR 6

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

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

Payments to Professionals

Cash Basis – Pg 5 / Accrual Basis – MOR 6

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

Payments to Secured Creditors

Cash Basis – Pg 5 / Accrual Basis – MOR 6

NAME OF CREDITOR	SCHEDULED PAYMENT DATE	AMOUNT PAID DURING MONTH	TOTAL POST-PETITION
1		\$	
2		\$	
3		\$	
4		\$	
5		\$	
6. TOTAL		\$	\$

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

Professional Fees

Small Business – Page 3

NAME	DATE	AMOUNT PAID	TOTAL
1		\$	
2		\$	
3		\$	
4		\$	
5		\$	
TOTAL PAYMENTS TO PROFESSIONALS		\$	\$

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

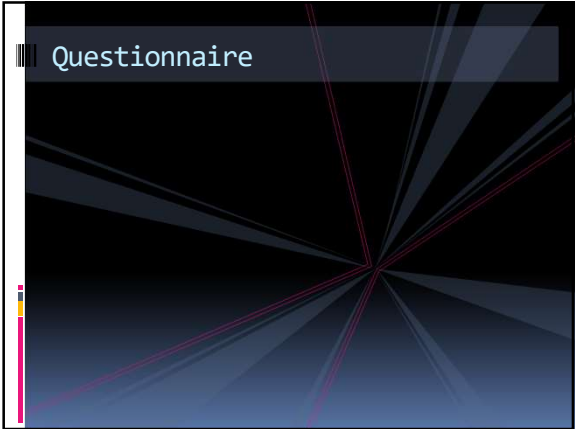
6. Professional Fees

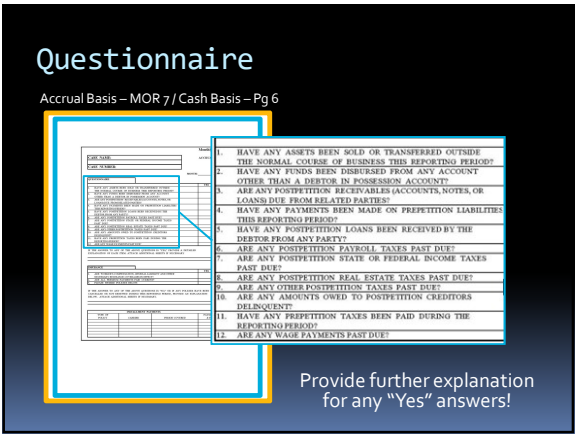
28. How much have you paid this month in professional fees related to this bankruptcy case? \$ _____

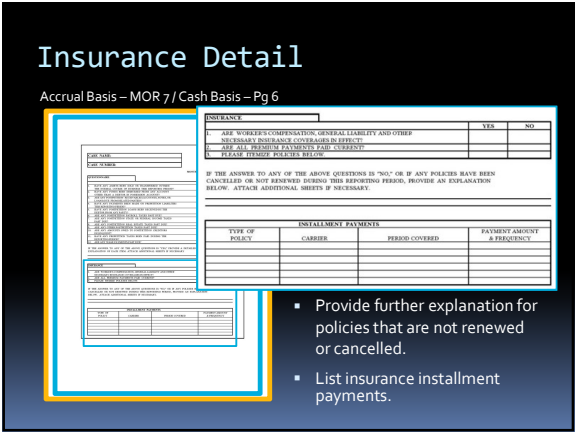
29. How much have you paid in professional fees related to this bankruptcy case since the case was filed? \$ _____

30. How much have you paid this month in other professional fees? \$ _____

31. How much have you paid in total other professional fees since filing the case? \$ _____







Questionnaire

Small Business – Pg 1 & 2

1. Questionnaire

Answer all questions on behalf of the debtor for the period covered by this report, unless otherwise indicated.

If you answer No to any of the questions in items 1-6, attach an explanation and label it Exhibit A.

If you answer Yes to any of the questions in items 10-16, attach an explanation and label it Exhibit B.

1. Did the business operate during the entire reporting period?

2. Do you plan to continue to operate the business next month?

3. Have you paid all of your taxes on time?

4. Did you pay your employees on time?

5. Have you deposited all the receipts for your business into a dedicated (DBP) account?

6. Have you timely filed your tax returns and paid all of your taxes?

7. Have you timely filed all other required government filings?

8. Are you current on your quarterly fee payments to the U.S. Trustee or Bankruptcy Administrator?

9. Have you timely paid all of your insurance premiums?

10. Do you have any bank accounts open other than the DBP accounts?

11. Have you sold any assets other than inventory?

12. Have you sold or transferred any assets or provided services to anyone related to the DBP in any way?

13. Did any insurance company cancel your policy?

14. Did you have any unusual or significant unanticipated expenses?

15. Have you borrowed money from anyone or had anyone make any payments on your behalf?

16. Has anyone made an investment in your business?

17. Have you paid any bills you owed before you filed bankruptcy?

18. Have you allowed any checks to clear the bank that were issued before you filed bankruptcy?

UST Quarterly Fees

UST Fee Requirements

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

TOTAL QUARTERLY DISBURSEMENTS	QUARTERLY FEE
\$0 to \$14,999.99	\$325.00
\$15,000 to \$74,999.99	\$650.00
\$75,000 to \$149,999.99	\$975.00
\$150,000 to \$224,999.99	\$1,625.00
\$225,000 to \$299,999.99	\$1,950.00
\$300,000 to \$999,999.99	\$4,875.00
\$1,000,000 or more	1% of quarterly disbursements or \$250,000, whichever is less

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!

TOTAL QUARTERLY DISBURSEMENTS		QUARTERLY FEE
\$0	to \$14,999.99	\$325.00
\$15,000	to \$74,999.99	\$650.00
\$75,000	to \$149,999.99	\$975.00
\$150,000	to \$224,999.99	\$1,625.00
\$225,000	to \$299,999.99	\$1,950.00
\$300,000	to \$999,999.99	\$4,875.00
\$1,000,000	or more	1% of quarterly disbursements or \$250,000, whichever is less

UST Fee Requirements

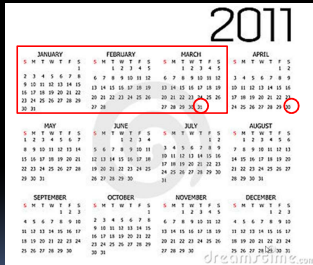
- Your case is NOT CLOSED when your plan has been confirmed!
- Fees are owed until your attorney files a motion to close your case and it is approved by the Court or until the Court converts or dismisses your case

UST Fee Requirements

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

1 st Quarter	January 1 st to March 31 st	Delinquent April 30 th
2 nd Quarter	April 1 st to June 30 th	Delinquent July 31 st
3 rd Quarter	July 1 st to September 30 th	Delinquent October 31 st
4 th Quarter	October 1 st to December 31 st	Delinquent January 31 st

UST Fee Requirements

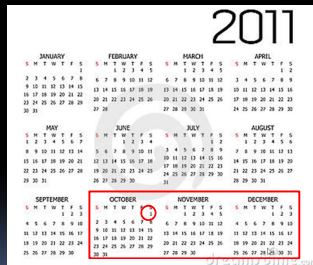


If you file
bankruptcy on
03/31/11:

You will owe
UST fees for 1st
Quarter

Fees become
delinquent on
04/30/11

UST Fee Requirements




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

You will owe
UST fees for
4th Quarter

Fees become
delinquent on
01/31/12

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




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



Operating Report Summary





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

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 (20th of the month)
- Pay UST fees timely (delinquent on the last day of month following quarter) and include them in your Plan

Helpful Tips

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

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?

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

Additional Reference Materials

See Regional Website for:

www.justice.gov/ust/ro6/reg_info.htm

- All operating report formats in both pdf and Excel
- Pre-Filing Proofs/Checklists
- Future live workshop dates

Dallas Office (Northern District): (214) 767-8967
Tyler Office (Eastern District): (903) 590-1450
