FINANCIAL MANAGEMENT AND ACCOUNTING FOR THE LAW FIRM

Presenters

Hon. Donald G. Alexander, Justice
Maine Supreme Judicial Court, Portland

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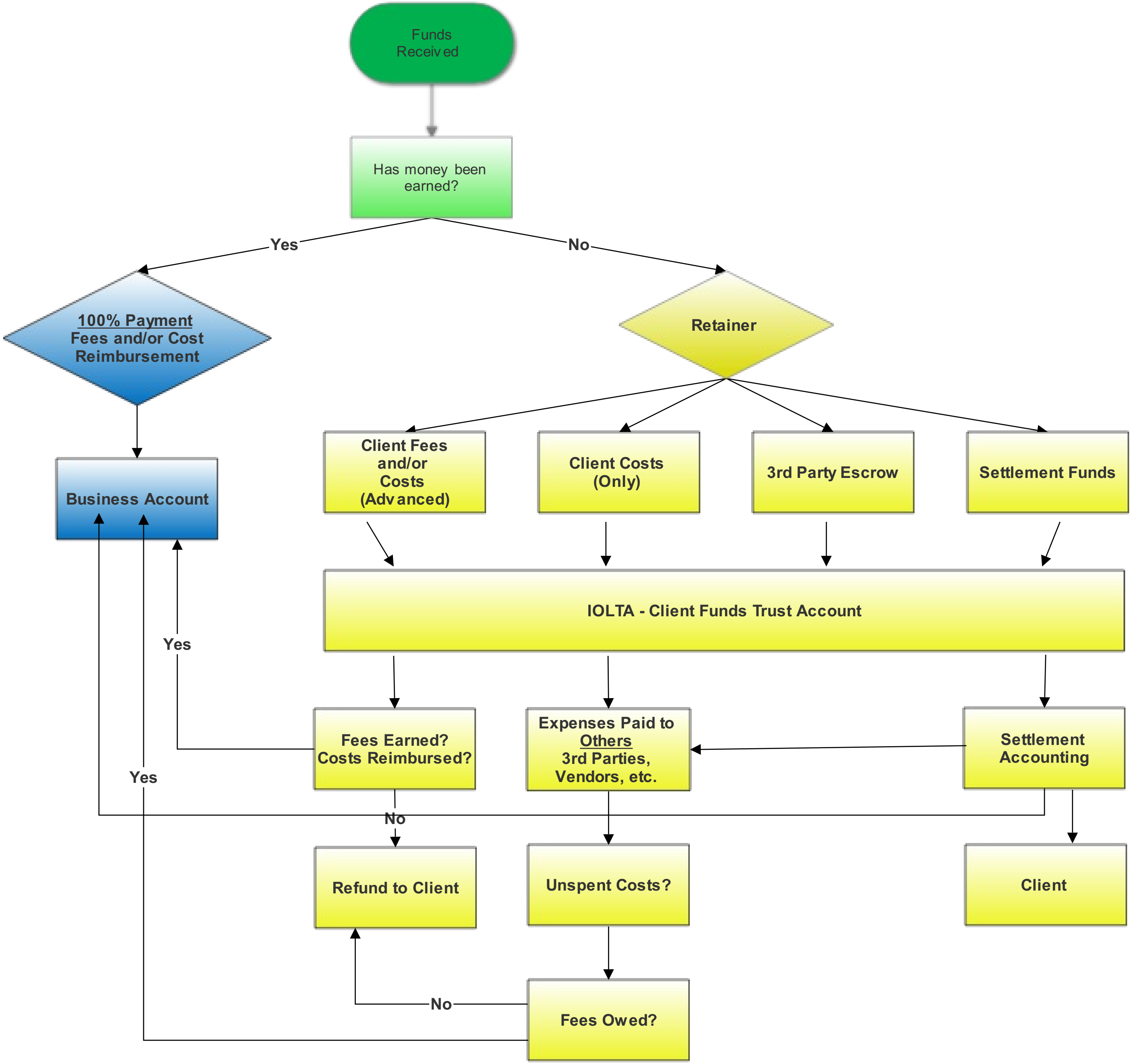
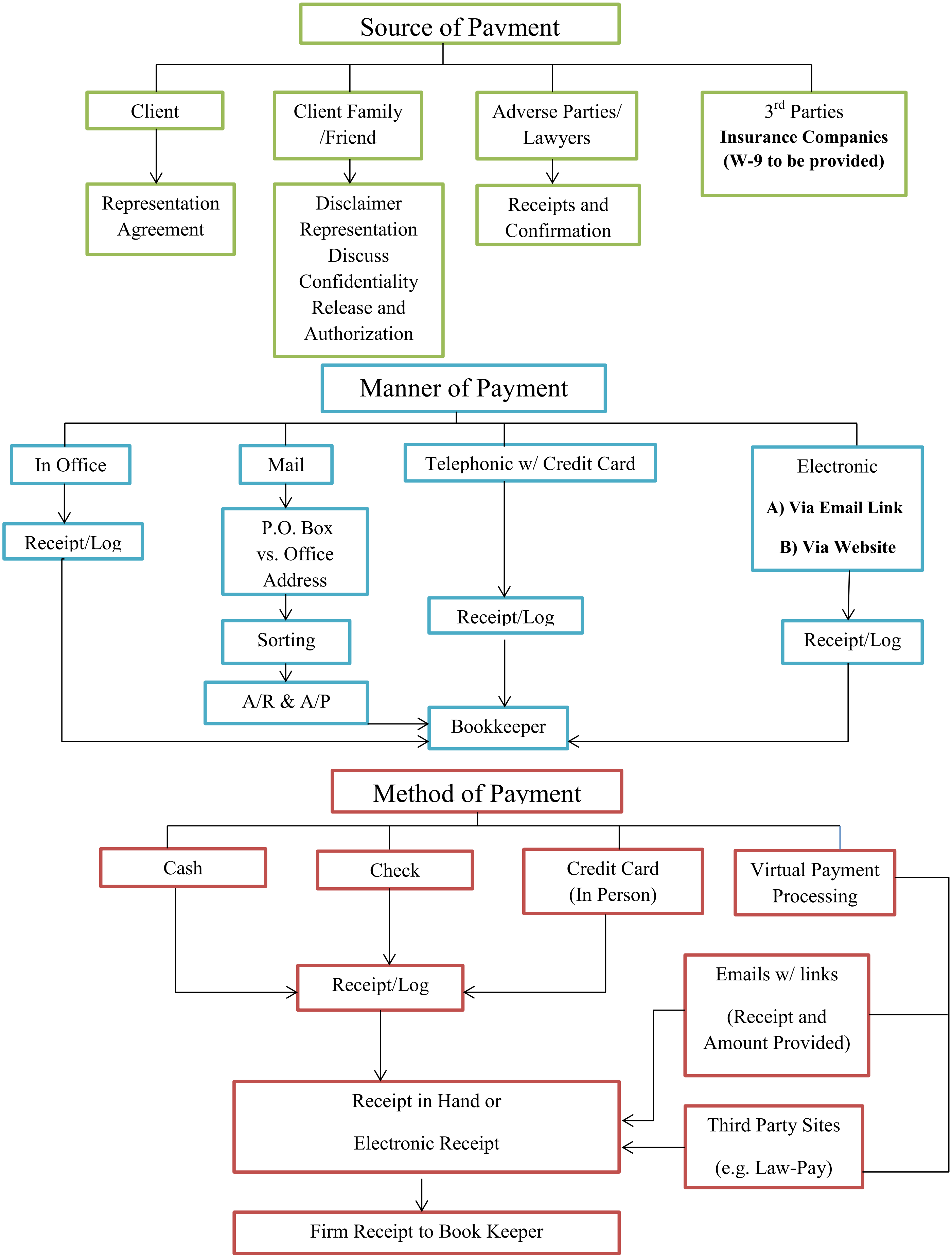
Law Firm Payment Processing




Source of Payment
Client
Client Family /Friend
Adverse Parties/ Lawyers
3rd Parties
Insurance Companies (W-9 to be provided)
Representation Agreement
Disclaimer Representation Discuss Confidentiality Release and Authorization
Receipts and Confirmation
Manner of Payment
In Office
Mail
Telephonic w/ Credit Card
Electronic
A) Via Email Link
B) Via Website
Receipt/Log
P.O. Box vs. Office Address
Sorting
A/R & A/P
Receipt/Log
Receipt/Log
Bookkeeper
Method of Payment
Cash
Check
Credit Card (In Person)
Virtual Payment Processing
Receipt/Log
Emails w/ links
(Receipt and Amount Provided)
Receipt in Hand or
Electronic Receipt
Third Party Sites
(e.g. Law-Pay)
Firm Receipt to Book Keeper

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06/12/18

Accrual Basis

Largay Law Offices, P.A.
Checking Account Transactions
As of June 12, 2018

Type	Date	Num	Name	Memo	Amount	Balance
1125 · Camden Nat'l Bank Checking						
Bill Pmt -Ch...	05/30/2018	13212		Detailed Description of Transaction (e.g. June Rent, For services related to Inv. 0235, Deposit from Smith, John, etc.)	Credit or Debit	Starting Balance
Deposit	05/30/2018					
Check	05/31/2018	PR05...				
Bill Pmt -Ch...	06/01/2018	13211				
Deposit	06/01/2018					
Deposit	06/01/2018					
Bill Pmt -Ch...	06/01/2018	13213				
Check	06/01/2018	Auto				
Check	06/01/2018	Auto				
Bill Pmt -Ch...	06/12/2018	13214	P			
Bill Pmt -Ch...	06/12/2018	13215				
Bill Pmt -Ch...	06/12/2018	13216	A			
Bill Pmt -Ch...	06/12/2018	13217				
Bill Pmt -Ch...	06/12/2018	13218	Y			
Bill Pmt -Ch...	06/12/2018	13219				
Bill Pmt -Ch...	06/12/2018	13220	E			
Bill Pmt -Ch...	06/12/2018	13221				
Bill Pmt -Ch...	06/12/2018	13222	E			
Bill Pmt -Ch...	06/12/2018	13223				
Bill Pmt -Ch...	06/12/2018	13224				
Bill Pmt -Ch...	06/12/2018	13225				
Bill Pmt -Ch...	06/12/2018	13226				
Bill Pmt -Ch...	06/12/2018	13227				
Bill Pmt -Ch...	06/12/2018	13228				
Bill Pmt -Ch...	06/12/2018	13229				
Bill Pmt -Ch...	06/12/2018	13230				
Bill Pmt -Ch...	06/12/2018	13231				
Bill Pmt -Ch...	06/12/2018	13232				
Check	06/12/2018	13233				
Check	06/12/2018	13234				
Check	06/12/2018	13235				
Deposit	06/12/2018					
Deposit	06/12/2018					
Total 1125 · Camden Nat'l Bank Checking						Ending Balance
TOTAL						

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6/26/18

Cash Basis

LLO Trust Accounts

Client Trust Balances Summary

As of June 26, 2018

	June 26, 18
ASSETS	
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2301 • Client Retainers	
2305 • Business Corporate	
Corporate Client A	
Corporate Client B	
Total 2305 • Business Corporate	
2315 • Family & Estate Probate	
Estate Client A	
Family Client A	
Family Client B	
Total 2315 • Family & Estate Probate	
2330 • Litigation	
2335 • Civil Litigation	
Civil Client A	
Civil Client B	
Total 2335 • Civil Litigation	
2340 • Criminal Litigation	
Criminal Client A	
Criminal Client B	
Total 2340 • Total Criminal Litigation	
Total 2330 • Total Litigation	
2360 • Personal Injury & Medical Malp.	
Medical Malp. Client A	
Personal Injury Client A	
Personal Injury Client B	
Total 2360 • Personal Injury & Medical Malp.	
2370 • Real Estate	
Real Estate Client A	
Total 2370 • Real Estate	
Total 2301 • Client Retainers	
Total Other Current Liabilities	
Total Current Liabilities	
Total Liabilities	
TOTAL LIABILITIES & EQUITY	

Largay Law Offices, P.A.
Comparative Statement of Operations
January 1 through June 12, 2018

	Jan 1 - Jun 1...	Jan 1 - Jun 1...	$ Change	% Change
Ordinary Income/Expense				
Income				
4010 · Fee Income				
4020 · Business/Corp./R.E. Trans.				
4040 · Family Law/Estate Probate				
4050 · Litigation - Civil				
4060 · Litigation - Criminal				
4070 · Personal Injury/Med Mal				
Total 4010 · Fee Income				
4095 · Reimbursement of Client Costs				
Total Income				
Expense				
5130 · Client Costs				
5131 · ADR & Prof'l Fees				
5132 · Filing & Recording Fees				
5133 · Travel/Lodging Client Related				
5134 · Meals Client Related				
5135 · Postage & Delivery				
5136 · Printing & Reproduction				
5137 · Records & Discovery				
5138 · Service/Mediator Fees				
5139 · Witness/Expert Fees				
Total 5130 · Client Costs				
6000 · Payroll Expenses				
6010 · Officer's Salaries				
6015 · Employee Wages				
6020 · Officer's Health Insurance				
6025 · Employee Health Insurance				
6065 · Simple IRA Match - Employee				
6070 · Simple IRA Match - Officer				
6080 · Payroll Taxes				
6082 · Payroll Proc. Fee				
6190 · Worker's Comp. Insurance				
Total 6000 · Payroll Expenses				
6100 · Automobile Expense				
6170 · Office Rent				
6175 · Equipment Rental				
6180 · Insurance Expense				
6182 · Auto Insurance				
6184 · General Liability Ins. - BOP				
Total 6180 · Insurance Expense				
6200 · Maintenance & Repairs				
6215 · Building Repairs				
6220 · Equipment Repairs & Serv. Cont.				
6235 · Grounds Maintenance				
6240 · Cleaning & Maintenance				
6350 · Trash Removal				
Total 6200 · Maintenance & Repairs				
6280 · Professional & Indep. Cont.Fees				
6284 · Accounting & Tax Preparation				
6285 · Legal & Paralegal Fees				
6286 · Consulting				
6295 · Other Professional Fees				
Total 6280 · Professional & Indep. Cont.Fee				

Largay Law Offices, P.A.
Comparative Statement of Operations
January 1 through June 12, 2018

	Jan 1 - Jun 1...	Jan 1 - Jun 1...	$ Change	% Change
6340 · Telecommunications				
6342 · Cellular				
6349 · Telephone & Internet Service				
6351 · E-mail Expense				
Total 6340 · Telecommunications				
7040 · Office Expenses				
7052 · Misc. Office Expense				
7054 · Postage & Delivery				
7058 · Stationery				
7059 · Office Supplies				
Total 7040 · Office Expenses				
7500 · Advertising & Marketing				
7510 · Bank & Pay by Phone Fees				
7515 · Merchant Services				
7520 · Continuing Legal Education				
7525 · Dues & Subscriptions				
7530 · Library				
7535 · Books and Publications				
7540 · Gifts and Flowers				
7545 · Licenses and Fees				
7600 · Utilities				
7605 · Electric				
7610 · Heating Oil/Natural Gas				
7620 · Water & Sewer				
Total 7600 · Utilities				
7750 · Travel & Ent				
7770 · Meals				
7775 · Lodging				
7780 · Travel, Tolls, Parking				
Total 7750 · Travel & Ent				
8100 · Taxes				
8120 · Real Estate Taxes				
Total 8100 · Taxes				
8400 · Charitable Contributions				
8410 · Political & Other ND Expenses				
Total Expense				
Net Ordinary Income				
Other Income/Expense				
Other Expense				
9500 · Interest and Finance Charges				
9520 · Auto Loan Interest				
9510 · Finance Charge				
9515 · LOC Interest & Late Fees				
Total 9500 · Interest and Finance Charges				
Total Other Expense				
Net Other Income				
Net Income				

A Matter of Law Firm Financial Practice & Trust:
Everything You Wanted to Know About Trust Accounting But Were Afraid to Ask

Financial Management & Accounting for the Law Firm

Christopher R. Largay, Esq.
Largay Law Offices, P.A.

LARGAY
LAW OFFICES

Instructor

Christopher R. Largay
President / Managing Partner
of Largay Law Offices, P.A.

Financial Management & Accounting

- Overview – Trust Accounting
- General Trust Accounting Questions
- Accounts Receivable Management
- Law Firm Payment Processing - Flowchart
- Accounting - Bookkeeping & Reporting
  - Proper Accounting Practices
  - Reconciliation
  - Bank Balance & Checking Account Transactions
  - Trust Balance Summary
  - Statement of Operations
  - General Bookkeeping Tips
  - Accounting Software
- Safeguarding from Embezzlement (Protecting your firm)

Overview – Trust Accounting

- Each client should have their own ledger account (i.e. 20 trust clients, 20 ledgers accounts).
- Under no circumstances should you ever use one client's funds to pay for another client's or your own expenses (this is misappropriation of funds).
- **DO NOT** spend what you don't have.
- There should *never* be a negative balance:
  - In client trust accounting there are three scenarios:
    - A positive balance
    - A zero balance
    - A BIG problem (a negative balance)
- Address any small, inactive balances as soon as possible!

General Trust Account Questions

- What is a trust account?
- What types of firms must have a trust account?
- Should I delegate trust account management to one lawyer in the firm? Does each attorney need their own separate trust account?
- Is there ever a need to establish a separate trust account for one client or a single transaction?
- Can a non-attorney staff member manage the trust?
- Can I “link” my trust and operating (business) accounts?
- How often must I provide an accounting to my client?
- How do I close an account that has a remaining balance?

Accounts Receivable Management

Payment Processing Flowchart

Proper Accounting Practices

Proper Accounting Reports that should be a part of every practice:

1. Income Statement
2. Balance Sheet
3. Statement of Cash Flows
   1. Displays change of cash amount over a specific time period
   2. Pulls info. from Balance & Income Sheet

3-Step Reconciliation

There are three components to the reconciliation process: the general trust ledger, individual client ledgers and the trust bank statement.

Step 1

Confirm current trust bank balance by:

-Subtracting any outstanding checks from the balance shown on your monthly bank statement

- Adding all deposits that have not yet cleared the bank

Step 2

Compare the calculated current balance to the general trust ledger:

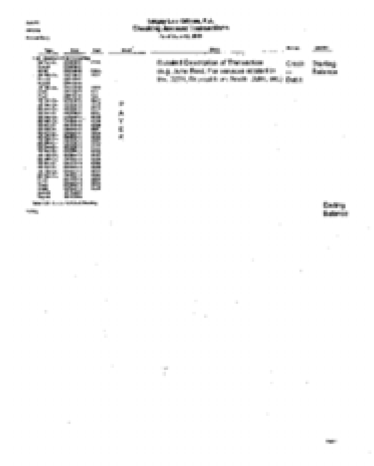
-Pray they balance perfectly.

- 2nd Person Proof

Step 3

Take the reconciliation process a step further to ensure balances from client ledgers match the general trust ledger (and thereby the calculated current bank balance.)

Bank Balance & Check Account Transactions



Client Trust Balances Summary

Comparative Statement of Operations

General Bookkeeping Tips

- Always track:
  - – Records of receipts
  - – Bank Statements
  - – General Ledger
  - – Client Ledger
  - – Monthly/Quarterly Reconciliations
  - – Any other records as required by law

Accounting Software

<u>Fully Integrated, Legal Specific Accounting Software</u>

PC Law

Abacus Accounting

Amicus Accounting

Juris

<u>Small Business, Non-Legal Specific (but still popular)</u>

QuickBooks & Quickbooks Pro

Quicken

Time Matters

Billing Matters

Steps for Safeguarding Your Firm…

Prevent embezzlement by closely and consistently monitoring and maintaining the following:

- Deposit slips (date, source, client/matter)
- Cash Receipts book
- Disbursement Records (cancelled/voided checks, e-checks)
- Ledger (client & matter entries, transfers, receipts, balances, etc.)
- Bank statements
- Reconciliations
- Annual or Bi-Annual Audit
- CPA Outside Review & Tax Filing Preparations

Questions??

Thank You!

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