Budget Compass

Coaching Session Guide

Getting Started

Materials:

Monthly Data Extract Files

Monthly Update Procedures Excel Workbook

Month End Statement of Condition

Month End Income Statement

Objectives:

Archiving Previous Data

Understanding the Download

Review and Forecast:

      Balance Sheet

      Non-Interest/Interest Income and Expense

Yield

Tax Settings

Dividends

Reporting

Custom Reporting

Monthly Update Procedures Workbook

Use your *Monthly Update Procedures* Excel workbook to find your monthly update checklist as well as a list of the files you need to retrieve from your core processor for performing the download.
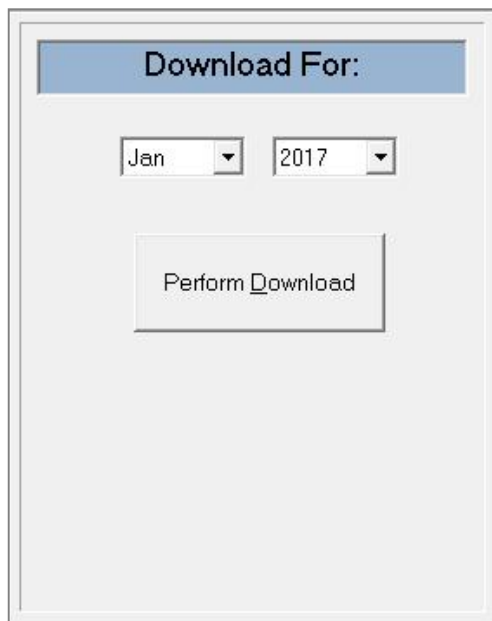
Archiving

Prior to completing a download for a new month, create a backup folder for the previous month. Include all monthly data files, the Rateworks.mdb file and the BankName.mdb file.

Data Folder

Place your current GL and Income download files in the same folder as your current plan. Compass will then access these data files during the download process.

DataBridge

Select the DataBridge icon to perform the download.

Note: Verify that the appropriate month is selected prior to performing the download.

Terminology

Data extract files are the files created by your data processer. They contain your institution's financial information which will be downloaded into Financial Compass.

There are two files needed to open Financial Compass - your Plan file and RateWorks file. The Plan file is the working file to which you make adjustments; the RateWorks file contains current rate information. Both files have a .mdb extension.

Monthly Update Workbook Note:

If your Data Processor makes any changes to the set-up or formatting of your data files, you should contact Plansmith immediately. When changes occur, it is essential that we update your file specifications so that Compass may continue to process your data.

Chart of Accounts is a listing of the accounts within your Compass plan.

Why archive monthly?

You may have a future need to reference a report for a specific time period or to access past plan data to complete a back-test. By archiving monthly, you will have the ability to access those plans at will.

DataBridgeDownloadErrors.log

This log contains any GL codes which have not been previously included your extract files. Each code is listed with the corresponding table in which the code should be entered and correlated.

Enter New GL/Income Codes

Enter new GL or Income codes in the corresponding table.

After entering the new code, select the corresponding account from the My Account List, and drag the account to the column titled Data Goes To. Once the new codes are entered, repeat the download.
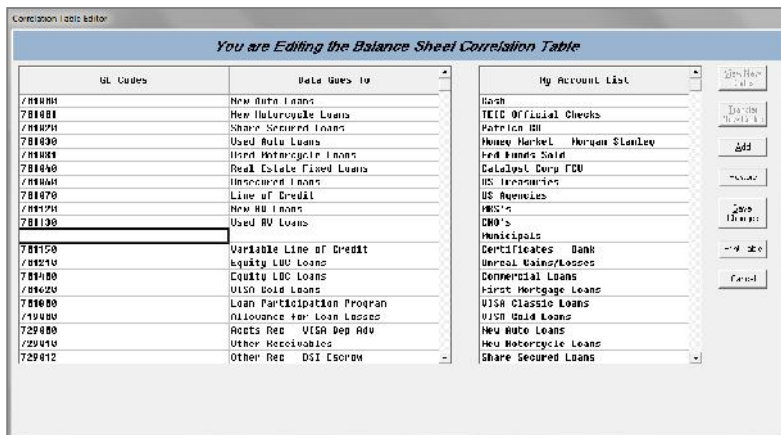
Correcting the Error Log

If there are codes belonging to a new account on your core system which is not yet included in your Compass Chart of Accounts, the account will not appear on the 'My Account List' of the Correlation Table.
To add a new account to your Chart of Accounts, select the folder where the account should reside, right click, and then select 'add an account' option from the dropdown list. The Account Wizard will walk you through the steps required to create the new account.
The account name will then appear in the My Account List column in the Correlation Tables.

Why are codes repeated on the error log?

Since both EOM and Average balances for each Balance Sheet GL are included in the download file, error codes from this table are repeated. Investment, Loan and Deposit codes may also appear multiple times if more than one new customer account with descriptors was booked during the month. Although the codes are repeated, the GL code should only be entered once in the correlation tables.

Update Financial

After completing the download, select **Update Financial** next to the DataBridge icon. Verify month's totals and if needed, manually edit numbers for post closing adjustments
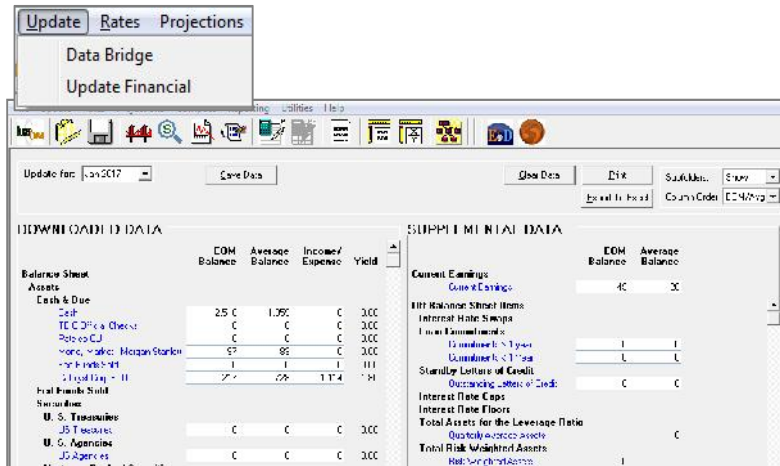
Steps to take during the Update Financial process:
- Verify the month in the dropdown in the top left-hand corner.

- Manually enter the Off-Balance Sheet Items and Memo Items at the top right side of the screen.

- Verify Total Assets, Total Liabilities, Total Capital, and Total Pre-Tax Income at the bottom of the screen.

Ideally the differences in Average and EOM balances should be 0, but due to rounding of balances a difference of 1 or 2 may occur. To bring the Balance Sheet in Compass into balance, you may choose to account for rounding differences in Other Assets or Other Liabilities as needed.

Remember to verify the month and click 'Save Data' before exiting Update Financial.

Update Financial

Perform manual account entries or edits on this screen. To access prior months' data, go to the dropdown arrow next to the Update for: selection and choose the month from the list.

Unless your Current Earnings and Off Balance Sheet accounts are tied to GL accounts, enter Current Earnings and Off Sheet Balance Items in the Supplemental Data section or go to Capital (for Current Earnings).

After making any adjustments, Save Data and Compute the Plan. Without Computing, your adjustments will not be reflected.

Computing the Data
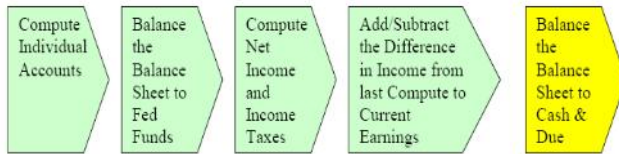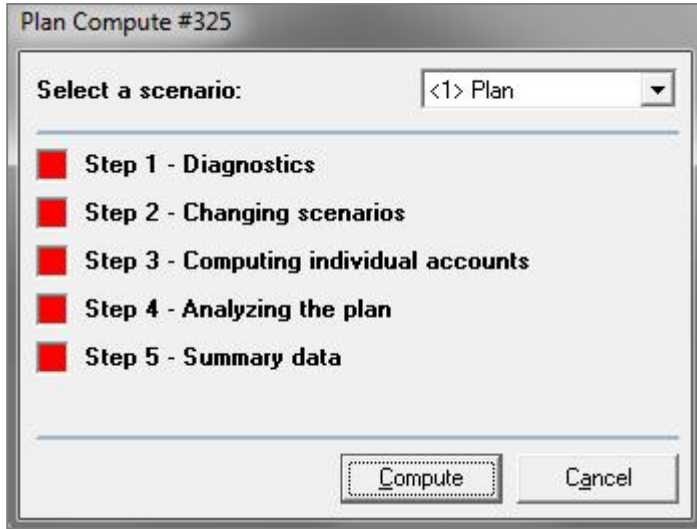
Updating Driver Rates

Rate Forecast

Select Auto Update from the Rate Forecast screen. The confirmation pop-up will appear, follow the prompts.

Note: You may only download the current month's rates after completing your download. For example, to download March rates your February download must be complete.

Computing

Compass balances your projections during the compute. Fed Funds is a balancing account within Compass. Compass will override manual entries made to Fed Funds.

After the plan is balanced to Fed Funds, Net Income is calculated. The change to Net Income is posted as a new balance to Current Earnings and a final balancing is posted to Cash. Review your cash periodically. If cash's growth is too high, you can re-forcast the cash account and re-compute the plan. This change will affect your Fed Funds Purchased or Sold account.

Rates

There are two ways to enter rates: manually or via a download file.

Select the Rate Forecast screen and key in specific rates in the monthly cells under each driver to adjust rates manually. You can also use quick edit techniques to adjust rates. In a multi-unit plan, the Rate Forecast may only be edited in the Total Bank plan.

Account Projections

In the Account Projections, you can view the Balance Sheet and Income Statement at a Yellow folder level or as individual accounts. The EOM Balance column under the Projections tab is an editable column where projections and forecasting is completed. There are three way to model projections: M*anual, EZ Model, and New Model*.

Chart of Accounts

This is a typical balance sheet format:
Assets, Liabilities, and Capital (including associated Interest Income/Expense) followed by Non-Interest Income and Expense and then Off-Balance Sheet and Memo Items.

Chart of Accounts

Your Chart of Accounts was created during your initial set-up. You can **add** an account by right clicking on a folder or account.

You can **delete** an account but it is not recommended. If you do, any history or budget associated with the account will be deleted.

You cannot delete a yellow folder.

An account can be moved between folders by selecting **cut** then **paste.**

The **Account Wizard** allows you to apply account properties. A Chart of Accounts Report details the current property settings on all of the accounts.

Forecasting Growth- Balance Sheet

Talk with those who know your products and markets, this will allow your forecast to be as accurate as possible

Manual

This model is only allowed at the account level, not the folder level.

Manual Entries

Under the M*anual* option, numbers can be manually overwritten by selecting the cell and typing in your new projection for each month.

Quick Edits

Under the M*anual* option, you can *Quick Edit* select highlighted months by right clicking on your mouse. This will allow you to quickly edit EOM Balances. Options include applying a constant value to distributing and ramping to values.

Manual Entries

While this model is a great way to apply growth it will **not reforecast** your EOM Balances with the next download. The **Quick Edits** that you apply are **static**. The EZ Model and New Model will reforecast your EOM Balances with each new download.

EZ Model

This model applies an annual growth rate to the EOM Balance from the last updated month. Compass will reforecast projected EOM Balances based on your model with each new download.

New Model

The New Model applies a growth rate per month that is divided by 12. The outcome percentage is applied.

Models

A **saved** New Model can be applied to other accounts saving time and effort.

Review all models periodically.

Tips

Apply a growth model at a **Yellow folder** level, then review and modify at the Sub-account level

Driver Rates

Driver rates are located in the Rate Forecast screen. Download or manually adjust rates for updating Pricing Models.

Yield

You will need to enter the Average Yield calculated for the month in the Yield column. You can enter the Yield by either a manual entry or by applying an EZ model.

Manual

Manually enter rates by setting the model selection to Manual. *Quick Edit* techniques can be used for this option.

Rate Forecast

Manually edit rates by placing your cursor and selecting any cell, or highlighting a range of cells for *Quick Edit* options

Driver Models

You can also create **New Driver Rates** by selecting New Driver. You may then choose to tie the new rate to an existing Driver Rate by selecting **Driver Model** or you can manually enter the rates or copy from an **excel** spreadsheet

EZ Model

An EZ Model is a simple model that builds a direct relationship between the average yield and driver rates plus or minus a spread or multiplied by a factor.

Forecasting Income and Expense

The Income Statement view is different from the balance sheet view; the screen is read left to right. All editing techniques available in the Balance Sheet side are available on the income statement when a column is set to manual.

Manual

Setting the column to manual allows you to enter balances per month. This is a useful option for accounts with radical changes. Remember, by right clicking on your mouse, you can apply *Quick Edit* techniques.

Pricing Models

As Driver Rates change, so will your yields depending on the spread/factor you've entered in the model

Forecasting Income and Expense

There are four ways to model Income and Expense Accounts: Manual, Fee Model, Annual Growth Rates, New Month From Previous Month

Loan Loss Reserve and Provision

The Loan Loss Reserve (LLR) and Loan Loss Provision (LLP) accounts in Compass can be linked together via the Modeling function so that changes in one account will be automatically updated in the other account. This Modeling functionality allows users to build models that incorporate loan growth changes, include expected net charge-off projections and/or project required Provisions based on Allowance as a % of Loans targets. Those calculated results will be incorporated in both the LLR and the LLP accounts and automatically updated as forecasted loan balances change over time.

Tips

As you update Loan balances in future months, the ALLL model will recalculate the LLR and LLP and update those accounts accordingly.

Manual Edits

This may be a good tool to use if you would like to analyze these accounts periodically (e.g. quarterly) and apply your results, but do not wish to have monthly fluctuations flow through your projections.
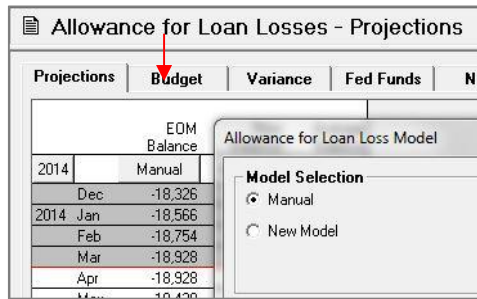
To enter the Model screen, click on the "Manual" or "Modeled" button at the top of the EOM Balance Column (from the LLR account) or the Expense column (from the LLP account). The model can be accessed from either account. When set to the "Modeled" mode, changes made from the LLR account will be reflected on the LLP account, and vice versa. This modeling feature is available for the first account within the Loan Loss Reserve and Loan Loss Provision folders. If set back to the "Manual" mode, these accounts will not be linked and numbers currently in the model will be kept static.

Fee Model

Setting the column to Fee Model allows you to apply a percentage of EOM balances, Average balances or New Balances from the balance sheet in forecasting income or expense.

Annual Growth Rate

Setting the column to Annual Growth Rate will allow you to apply an annual percentage of growth to the previous year's total income/expense. If there is not a full year of historical data, then the model will first project a total for the current year based upon the last actual month's number with zero growth.

Tips

Apply a growth model at a Yellow folder level, then review and modify at the Sub-account level

New Month from Previous Month

Setting the column to New Month from Previous Month will allow you to apply an annual growth rate to last year's previous month balance.

Taxes

Access the Tax setting through Projections on the menu bar. You can enter a nominal rate or an amount for the entire year.

Verify tax settings for each account by printing out a Chart of Accounts report, found in the reporting section. Accounts can be set to Fed Exempt, State and Fed Exempt, or 20% TEFRA. To change a setting, access the Account Wizard and it will walk you through a series of prompts that include applying tax settings for the account.

Models

A saved New Model can be applied to other accounts saving time and effort.

Review all models periodically.

Tips

Apply a growth model at a Yellow folder level, then review and modify at the Sub-account level

It is recommended that you select 'Yes' to distributing state and federal taxes according to net pre-tax income.

For S-Corp banks, if you want to view reports with FTE adjustments enter the following: set state to *Rate* and then enter the rate. Next, set the federal taxes to *Amount* and enter zero.

Dividends

Project Dividends through the Options setting under Utilities from the top menu bar. Compute the Plan after entering Dividends.
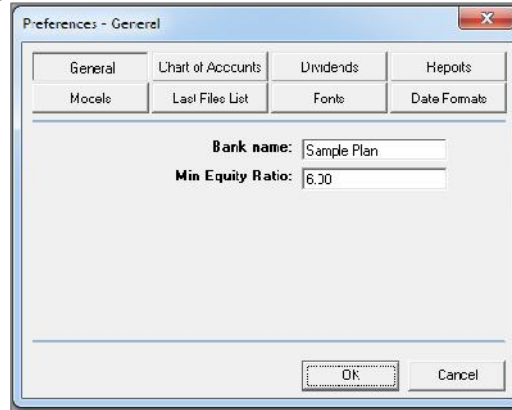
Compass will calculate Dividends when the Percentage of Net Income or Excess Capital is selected. When the Manual option is chosen, enter the dollar amount (rounded to the thousand) for the desired payout period.

Minimum Equity Ratio

From the Top Menu bar, select Utilities, Options, and on the General Tab you can enter the appropriate percentage based upon your banks policy limits.
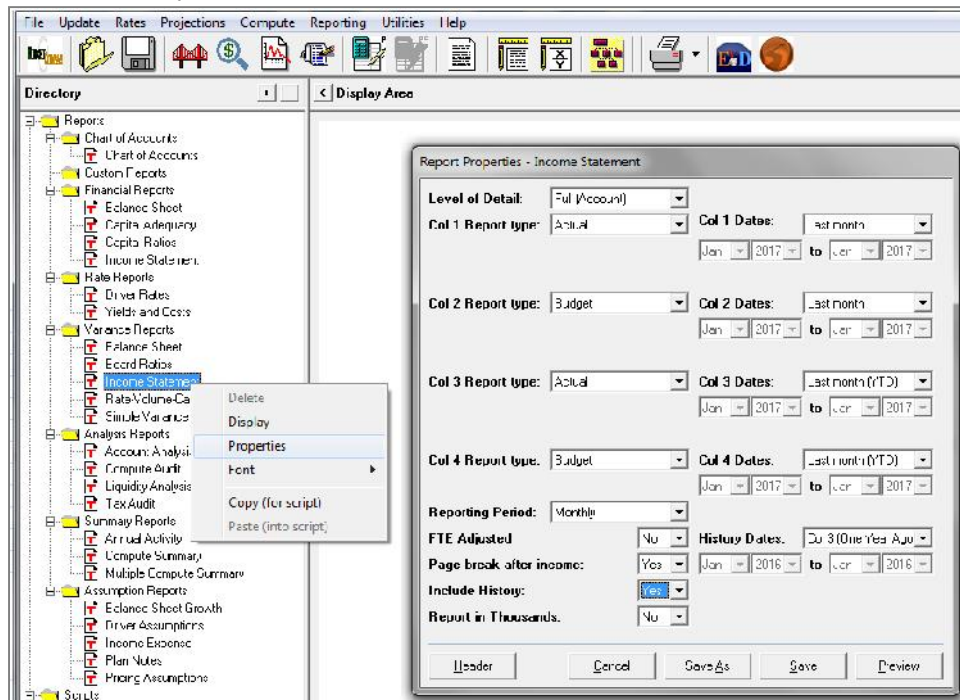

Reports

Computes update reports. A report with the letter **T** indicates that the report is a template.

To customize a report, right click a Report and select Properties.

You can create your own report by selecting Properties & Save As. You reports will have ▤ icon. These reports are also refreshed with each compute.

Report Designer

Report Designer allows you to design your own reports. First, select the report properties from the menu bar located at the top.

Next, double click on the individual accounts or ratios from the Accounts/Summary Items list or you can right click on Category Yellow folders for more options to bring in the data. Save the report.

Once saved, the report will appear in the Custom Reports folder in the reports' directory.