Intuit QuickBooks. CONNECT

QuickBooks for Non-Profits

QuickBooks for Non Profits

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About this Course

This course is specifically designed to show you how to efficiently set up lists, enter transactions and ultimately create the unique reports needed by nonprofit organizations. The topics included are relevant to most nonprofits including traditional 501-c-3 charities, membership associations, schools, theatres, as well as houses of worship and others.

Nonprofits are unique entities when it comes to reporting requirements primarily because there are so many different stakeholders. The board of directors needs a Profit & Loss compared to a budget; the auditor needs expenses on a by-program basis; the development director needs to know how restricted grant dollars were spent; the special events committee wants a profit and loss for a specific event; individual donors need a year-end letter detailing their donations for tax purposes. These are just a few examples of the many reports your nonprofit clients need from QuickBooks.

In this course we will first look at the appropriate set up of the lists in QuickBooks, including the chart of accounts, classes, customers and vendors. Too often nonprofits attempt to use the chart of accounts to track everything, which results in a large and unwieldy chart of accounts list as well as a profit and loss that is simply too large to be useful. We will discuss how to design the chart of accounts in order to produce a more concise, easier-to-understand Profit & Loss statement that will be far more useful to the board of directors. We will also cover how to use other QuickBooks functionality to track specific information for additional reporting purposes. After set up, we will examine the best methods for entering transactions common to nonprofit organizations, including the entry of revenue such as donations, grant and membership dues, as well as expenses that are related to programs and grants.

The course will conclude with special advanced topics, such as procedures for tracking special fundraising events, restricted grants, in-kind contributions and making important year-end adjustments.

Proper Set Up of Lists

When thinking about the things you enter into a QuickBooks data file, it's helpful to consider what you are entering as being in one of two categories:

1. An item that belongs on a list (Expense Account, Customer, Vendor, Program, etc.)
2. A transaction (Invoice, Payment, Deposit, Bill, Check, etc.)

How the lists are set up directly impacts the various reports produced from the data file as well as reporting flexibility. In this section we will review the best practices for setting up the four most important lists to ensure the nonprofit can provide the necessary reports for the different stakeholders.

Chart of Accounts

The chart of accounts determines the content and format of the basic financial statements. There are several things to consider when we are designing the chart of accounts. First, the longer and more detailed this list is, the more complicated and difficult data entry will be. The second consideration is

that financial reports will be longer and more detailed than necessary. Ideally, a Profit & Loss statement compared to a Budget should fit on one page, or at the most, two. The board is more likely to read and understand the financial activities of the organization when they are reported clearly and concisely. As a result it is important to minimize the number of accounts in the chart and use subaccounts when necessary. Experience tells us that if there is another way to track a piece of information other than in the chart of accounts, it is best to use that other way.

NAME	TYPE	BALANCE TOTAL	ATTACH
Deposit for Rent	Other Asset	1,296.79	
Accounts Payable	Accounts Payable	6,354.00	
Amex	Credit Card	352.00	
Payroll Liabilities	Other Current Liability	2,833.27	
Bank of America Loan	Long Term Liability	38,440.00	
Line of Credit	Long Term Liability	0.00	
Unrestricted Net Assets	Equity	149,355.00	
Temp. Restricted Net Assets	Equity	32,500.00	
Perm. Restricted Net Assets	Equity	0.00	
Retained Earnings	Equity		
Opening Bal Equity	Equity	0.00	
Individual Contributions	Income		
Corporate Grants	Income		
Foundation Grants	Income		
Government Grants	Income		
Program Fees	Income		
Membership Dues	Income		
Miscellaneous Income	Income		
Interest Income	Income		
Salary & Wages	Expense		
Payroll Taxes	Expense		
Health Insurance	Expense		
Rent	Expense		

NONPROFIT CHART OF ACCOUNTS LIST EXAMPLE

Here are some general guidelines:

1. Do **NOT** use the Chart of Accounts to track things such as
   a. Restricted Grants
   b. Individual Contribution names
   c. Programs

2. Create your accounts so that you will get the two financial statements in the format you desire

3. Balance Sheet Accounts
   a. These are the asset, liability, and equity accounts
   b. Keep them general – there should not be more than about 25
   c. There is nothing unique about the asset and liability accounts
   d. In the equity section, three accounts should be created
      i. Unrestricted Net Assets
      ii. Temporarily Restricted Net Assets
      iii. Permanently Restricted Net Assets (only needed if there are Endowment Funds)
   e. QuickBooks does not track Net Assets as listed above but instead closes all Profit and Loss accounts to Retained Earnings. Therefore an entry will be made at the end of each

accounting period to close the Retained Earnings account to the appropriate Net Asset equity account. This will be covered later.

4. Income Accounts
   a. One for each major source of revenue – that match the lines on the audit and 990. (e.g., Individual Contributions, Corporate Grants, Foundation Grants, Government Grants, Membership Dues, Tuitions etc.)
   b. Do not set up a "Restricted Grants "account. Restricted grants should NOT be tracked in the chart of accounts and will be covered later.
   c. Do not set up an individual account for each grantor. This clutters up the chart of accounts and is unnecessary.

5. Expense Accounts
   a. "Expenses" are the natural categories of your costs, such as "Rent" and "Office Supplies"
   b. Do NOT use expense accounts to track program costs. We will use another list to track programs.
   c. A good rule of thumb is that the expense accounts should be generic and should not reference the nonprofit's programs. For example "Postage" is correct. "Conference Postage" is too specific and would then necessitate a second "Postage" account to be created for entering non-conference postage costs.

You may use subaccounts to track detail (e.g., Electricity and Gas as subaccounts under a Utilities account but even the subaccounts should not be program specific)

Programs (Use Classes)

Almost all nonprofits must track their expenses by the natural category of the expense (e.g. Supplies, Travel, Salaries, Rent) and also by what "function" or program the expense serves. Expenses that aren't specific to a program are placed into an administrative function or a fundraising function as appropriate. This enables the nonprofit to report on how much of its expenditures are going to pay for actual program costs. The higher the percentage of an organization's program-related expenditures, the better the organization looks to existing and prospective funders. This reporting is a required part of completing the 990 information return filed with the IRS and is also a required part of any financial statement audit. Only those nonprofits not requiring audits or annual 990s, such as houses of worships, may opt out of this additional reporting requirement.

The Class feature is ideally suited to track programs, administrative and fundraising functions. The feature is available in the Windows Desktop Editions of QuickBooks (Pro and higher), QuickBooks for the Mac and the On-line Edition (Plus only). The Class feature is turned on in Preferences.
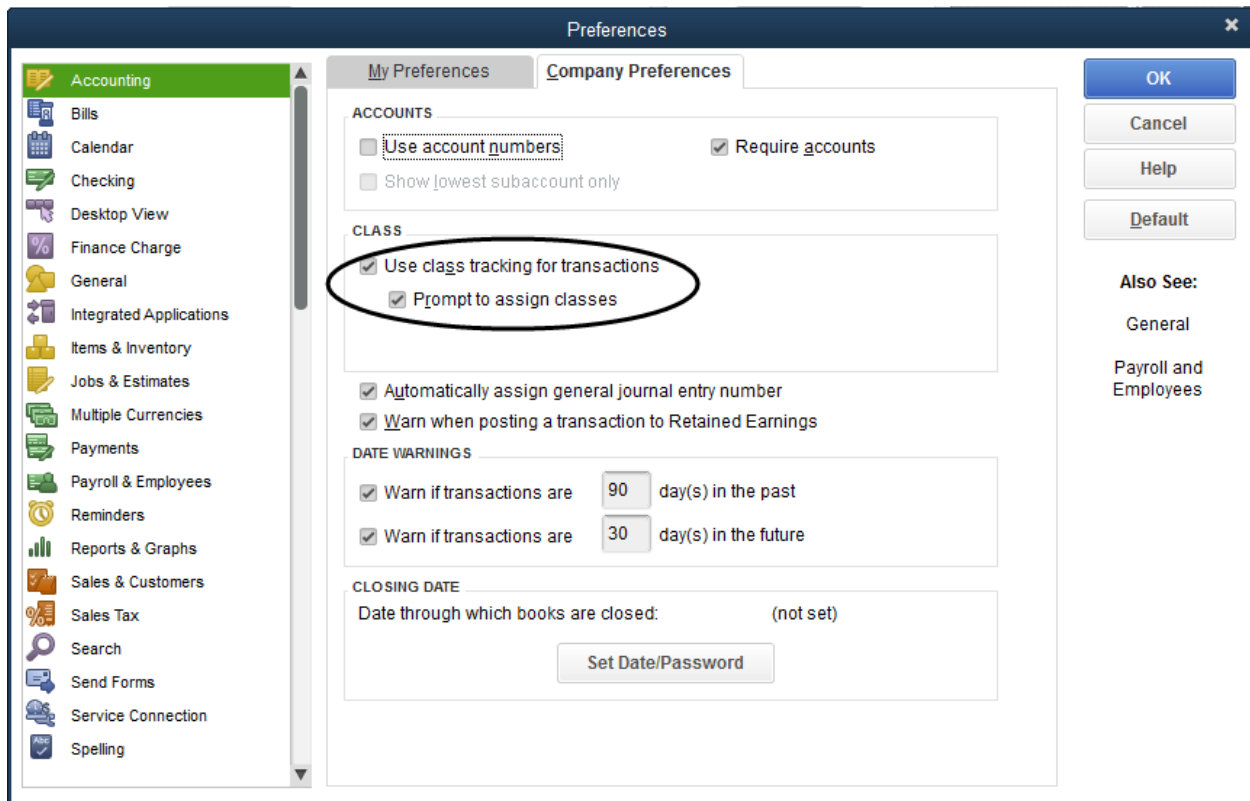
CLASS FEATURE PREFERENCE

Be sure to select the "Prompt to assign classes" feature when activating classes as this will help users remember to classify ALL transactions by auto-generating a pop-up reminder before saving a transaction that has not been assigned to a class.

Once the Classes feature has been activated, Classes may be set up and used in transactions.

CLASS LIST EXAMPLE

1. Create a "Programs" Class and then create sub classes for each program the organization has. No transactions will be pointed to the "Programs" class as this serves only as a header allowing you to get the total program cost for all programs.
2. Refer to the latest audit and/or staff at the nonprofit to determine what the programs are. There shouldn't be too many programs (usually less than 10). If there are more than 10, consider using sub classes under each program class to allow for summary reporting.
3. After creating your program classes, ALWAYS create two additional classes, one for Administrative Costs and another for Fundraising costs.
4. These classes will be available on all transaction windows and every transaction should be assigned to a class.
5. A transaction can be easily split between multiple classes by using multiple lines in the transaction windows.

Although technically only expenses are reported by program (Class) on the 990 and audited financial statements, QuickBooks allows revenue transactions to also be pointed to a class. By assigning all revenues related to a program to that program's class, one can easily generate a profit and loss by class report that will tell the reader whether a program is paying for itself. Donations that aren't restricted for a program should be assigned to the fundraising class.

Houses of worship: An Alternative Set-Up

Houses of worship don't traditionally have "programs" but instead operate by committee or ministry (e.g. Pastoral Committee, Worship Committee, Education Committee, Admin Committee). These can be thought of as their programs.

Unlike other nonprofit organizations, houses of worship are not usually required to file the traditional 990 Information return and most do not receive audits. Therefore the statement of expenses by program (committee/ministry) isn't required.

Additionally, unlike most nonprofits whose boards don't wish to see expenses on a by-program basis, houses of worship DO prefer to see their Profit & Loss organized by committee or ministry.

While using the class feature for this would work, the only way the board could see this information is by viewing the Profit & Loss by Class report. Considering that this report will still need additional columns for budget and variances, the resulting report simply contains too many columns for most board members to digest.

To solve this issue and provide an easy to read Profit & Loss for a house of worship consider using accounts for the committees, and sub accounts for the actual expense accounts for each committee , instead of using classes.

EXAMPLE ALTERNATIVE CHART OF ACCOUNTS FOR A HOUSE OF WORSHIP

Donors, Grantors, Members and Students (Use Customers:Jobs)

Customers are by definition the people/businesses who are giving a business its money. This is also true for nonprofit organizations. The donors, grantors, members and students are the ones funding the organization and are, therefore, tracked in the Customer:Job list.

However, not all nonprofits wish to track their donors, grantors, members or students in QuickBooks. When setting up a data file for a nonprofit, determine:

1. Whether the organization already has a donor, member or student database solution outside of QuickBooks.
2. If so, is it being used for Invoicing, tracking donor history, sending the required year-end donor acknowledgement letters, etc.?

If the answer to these questions is YES, then it may not be necessary to enter large lists of donors, grantors, members and students into QuickBooks at all as they are already being tracked elsewhere. Be sure to discuss this with your client in detail before deciding which direction to go. If the database they are using is meeting their needs, it's inefficient to track each individual donation, member payment or tuition payment in QuickBooks as well. Doing this basically doubles the client's work load as each payment must be entered twice, once in the outside database and again in QuickBooks. In these cases

it's better to enter deposits summarized by account and class rather than individually. Therefore, there is no need to use the Customer:Job list for this purpose.

If, however, the answer to the above questions is NO, this means your client will be using QuickBooks as their donor, grantor, member or student database. QuickBooks can be tailored to act as a "lite" database performing the major tasks needed by a database such as tracking pledges, member dues, tuitions and even creating donor thank you and year-end donation acknowledgment letters.

All QuickBooks versions have an import feature that will allow you to import "customer" list data from Excel or CSV files. There is an even easier solution for those using Windows desk top versions.

Those needing to enter their Donors, Grantors, Members or Students into QuickBooks will find the "Add/Edit Multiple List Entries" feature helpful as this allows you to copy and paste right from Microsoft Excel directly into QuickBooks multiple data fields for multiple "customers" at the same time.

ADD/EDIT MULTIPLE LIST ENTRIES WINDOW

1. This feature is only available in Windows Desktop editions (pro and higher).
2. The on-line edition does not have this feature but does have an import feature that effectively performs the same function.
3. QuickBooks for the Mac also does not have this feature but does have an import feature. Some users elect to export a Mac QuickBooks file to the Windows version, use the "Add/Edit Multiple List Entries" above, and then import the modified file back into the Mac.
4. Be sure to use the "Customize Columns" feature to format the column order to match the Microsoft Excel spreadsheet you are copying from.

5. Technically, the only field that needs to have data in it in order for the feature to work is the "NAME" column on the left. Other fields can be left blank and completed later.

Notice how the names in the name field are entered "Last Name. First Name." This is because this field is the identifier and appears in drop down lists of names on transaction windows. Assuming you allow QuickBooks to sort the list using the default order of alphabetical, this makes it easier to find names on transaction windows as well as on reports.

Below is a special set up for schools wishing to use QuickBooks to invoice for tuitions.

Customers & Jobs | Transactions

Active Customers ▼ | >

NAME	BALANCE TOT...	ATTACH
◇ Ashford, Parker and Faith	875.00	
◇Ashford, Matthew	0.00	
◇Ashford, Ashley	875.00	
◇ Buckner, Ava	875.00	
◇Buckner, Marie	125.00	
◇Buckner, David	750.00	
◇ Confrancesco, Dave	1,875.00	
◇Confrancesco, H Gordon	1,500.00	
◇Eichorst, Taylor	125.00	
◇Confrancesco, Jessica	250.00	
◇ Greyson, Elliot	1,500.00	

POSSIBLE SET UP OF PARENTS AND CHILDREN FOR A SCHOOL

1. Put parents' names as customers and the children as Jobs. This way a payment from a parent can be posted to multiple children invoices.
2. ALTERNATIVE SOLUTION: Put only the parents as Customers and use Items for the children. This way one invoice can be created for each parent rather than one invoice per child.

Vendors

There is nothing particularly special about entering Vendor names for nonprofit organizations. As always:

1. Any person for whom you intend to create a 1099 from QuickBooks must be in the vendor list.
2. The only people receiving payments from the organization who should not be on this list are Employees who are to receive W-2's FROM QUICKBOOKS! (Those organizations using an outside payroll service may elect to place their employees in this list as well.)
3. The "Add/Edit Multiple List Entries" as well as the import feature is available for Vendor lists.

Entering the Budget

One report that almost all nonprofit organizations require is a Profit & Loss compared to a budget. Surprisingly only a fraction of organizations using QuickBooks are aware of the budget feature and even fewer actually utilize it. The feature is available in all versions of QuickBooks.
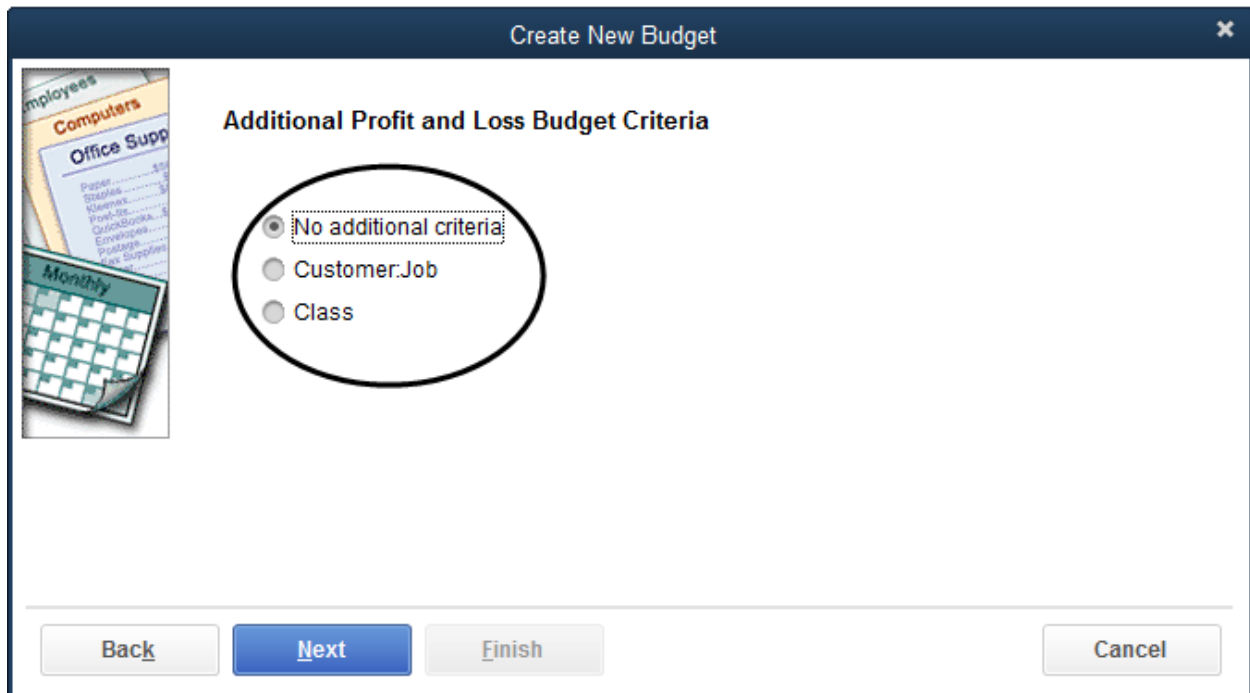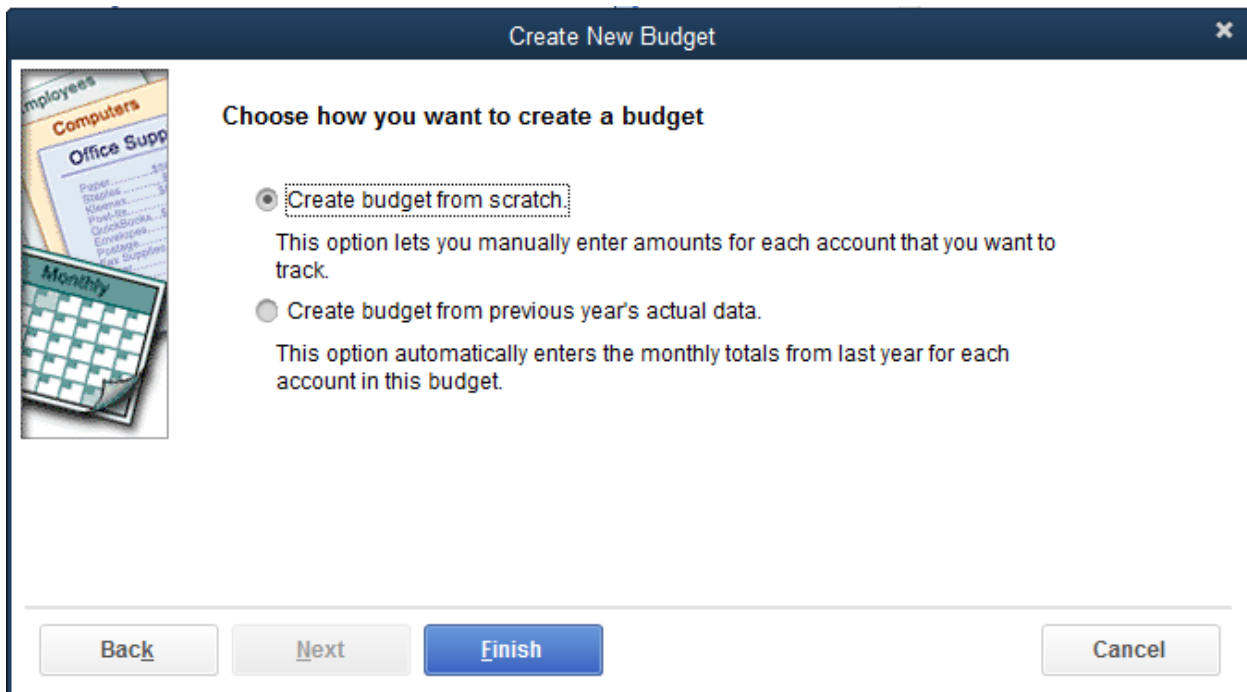
THE 3 BUDGET TYPES IN THE CREATE NEW BUDGET WINDOW

There are actually three different budgets, based on criteria, that can be created for the same period of time:

1. No additional Criteria – This budget allows you to enter an amount for each account (expense accounts or income accounts). This is an organization-wide budget and there is no delineation by program (Class) or by funder (Customer:Job). This budget is meant to be compared to a standard Profit & Loss and NOT a Profit & Loss by Class or Job. This is by far the most widely used budget as it is what most nonprofit boards wish to see.

2. Customer:Job – This budget allows you to enter amounts for each account with the added ability of relating the amount to a specific customer. The user is essentially allowed to enter a separate budget for each Customer:Job. The budget exists as its own budget and is unrelated to the other two budget types. This budget becomes helpful to nonprofits wishing to track a restricted grant from a funder. This will be covered more in depth later in this training but the grant budget would be entered here, expenses would be pointed to a grant by using the Customer:Job field in the detail area of checks, bills and credit card charges, and finally a budget to actual report by Customer:Job will compare the expenses paid thus far out of the grant to the grants budget.

3. Class – This budget also allows you to enter an amount for each account but with the added criteria of Class. The user is essentially allowed to enter a separate budget for each class, which for most nonprofits means each program, as well as two additional budgets for administrative costs and fundraising. This budget (made up of "sub-budgets" by class) exists as its own budget and is unrelated to the other two budget types. A user can simply enter a budget for a specific Class (Program) or may enter a budget for every class. Entering a budget for all classes removes the need for entering the "No Additional Criteria" or organization wide budget because the total of all the class budgets is the organization's total budget and can be shown that way on reports.

QuickBooks offers 2 methods for setting up budgets:

1. Create a budget from scratch - which allows you to manually enter each line
2. Create budget from previous year's actual data - which prefills budget fields with actual data from prior year to give users a starting point. You could then make manual adjustments for budget year based on expected changes from the prior year.

Most nonprofits wish to create their budgets in one of two ways.

- Budget by Month - While this allows for more appropriate comparison on Budget to Actual reports during the year (e.g. partial year actuals will be compared to partial year's budget), it involves more work since 12 budget amounts (one per month) must be entered for each account.
- Budget by Year - Organizations using this method simply enter one annual budget. During the year, the Budget to Actual reports would compare year to date actual numbers with the annual budget.

Those wishing to Budget by month have tools they can use to make the process easier:

1. Copy Across – Select this button to copy across amounts that are the same each month
2. Adjust Row Amounts – Select this option to take an entered amount for a given month and automatically create adjusted amounts for the other months. Adjustments can be made upward or downward based on a % or dollar amount.

ACCOUNT	ANNUAL TOTAL	JUL19	AUG19	SEP19	OCT19	NOV19	DEC19	JAN20	FEB20	MAR...	APR...	M...	JUN20
Individual Contributions	86,800.00	4,000.00	5,000.00	8,000.00	10,000....	12,000...	20,0...	1,00...	2,30...	3,50...	5,00...	6,0...	10,00...
Corporate Grants	87,000.00	20,000.00		20,000.00		35,000...			10,00...				2,000....
Foundation Grants	169,000.00		90,000....				25,00...		54,00...				
Government Grants	10,000.00				10,000....								
Program Fees	12,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000...	1,000...	1,000...	1,000...	1,00...	1,0...	1,000....
Miscellaneous Income													
Interest Income	240.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20....	20.00
Membership Dues	10,200.00	1,000.00	2,000.00	300.00	600.00	2,200.00	100.00	400.00	300.00	500.00	700.00	20...	1,900....
Cost of Goods Sold													
Salary & Wages	144,000.00	12,000.00	12,000...	12,000.00	12,000...	12,000...	12,00...	12,00...	12,00...	12,00...	12,0...	12,...	12,00...
Payroll Tax	14,400.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200...	1,200...	1,200...	1,200...	1,20...	1,2...	1,200...
Health Insurance	6,000.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	50...	500.00
Rent	28,800.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400...	2,400...	2,400...	2,400...	2,40...	2,4...	2,400....

Set Up Budgets

Budget: FY2019-20 - Profit & Loss by Account

Create New Budget

Copy Across   Adjust Row Amounts   Clear   Save   OK   Cancel   Help

NO ADDITIONAL CRITERIA SET UP BUDGET SCREEN-BUDGETING BY MONTH

Those wishing to <u>Budget by year</u> will still need to enter budget numbers in a monthly column as the Annual Total column is a calculated column based on the monthly columns and cannot be manually entered. The entire annual budget amount should be entered in the first month of the organization's fiscal year to ensure that Budget to Actual reports throughout the year always include the budget.

NO ADDITIONAL CRITERIA SET UP BUDGET SCREEN-BUDGETING BY YEAR

Reports created during the year compare actual numbers for a given time period to the budgeted numbers for THAT SAME given time period. Since the first month of the fiscal year is always included in year to date reports, the annual budget will always be included.

There is an additional method of creating a budget that allows you to create a new period's budget from a previous year's budget. This process takes place outside of the Create New Budget Windows and instead utilizes the program's Import/Export function with Microsoft Excel.
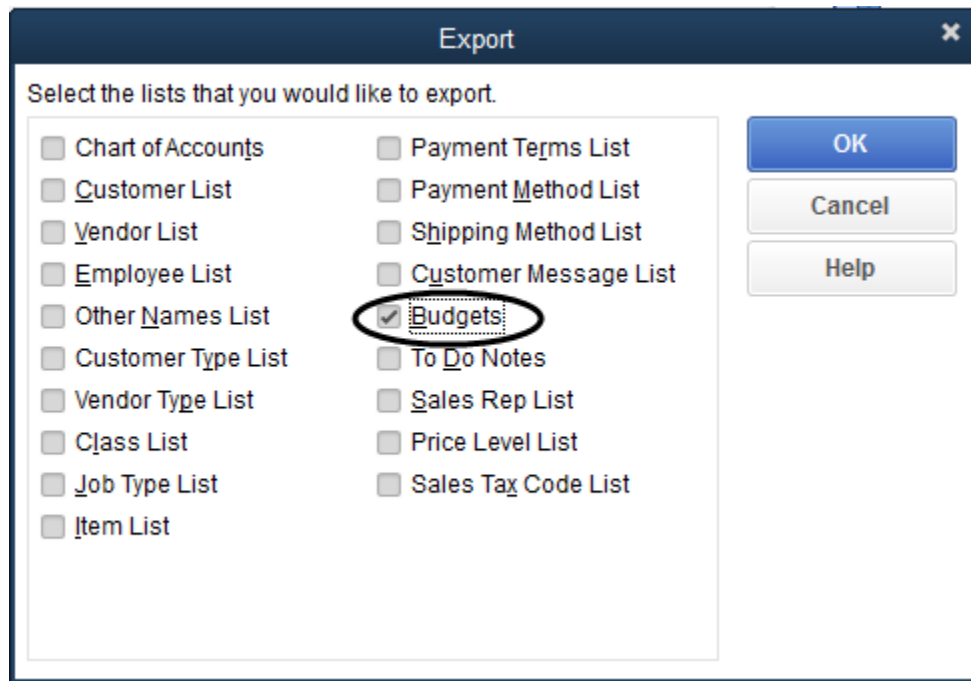
EXPORT LIST SELECTION WINDOW IN THE EXPORT FUNCTION

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	!HDR	PROD	VER	REL	IIFVER	DATE	TIME	ACCNTNT	ACCNTNTSPLITTIME							
2	HDR	QuickBool	Version 24	Release R		1	########	1.59E+09	N		0					
3	!BUD	ACCNT	PERIOD	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	STARTDATE
4	BUD	Individual	MONTH	0	0	0	0	0	0	-4,000.00	-5,000.00	-8,000.00	-10,000.00	-12,000.00	-20,000.00	1/1/2019
5	BUD	Salary & W	MONTH	0	0	0	0	0	0	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	1/1/2019
6	BUD	Telephon	MONTH	0	0	0	0	0	0	40,000.00	0	0	0	0	0	1/1/2019
7	BUD	Individual	MONTH	-1,000.00	-2,300.00	-3,500.00	-5,000.00	-6,000.00	-10,000.00	0	0	0	0	0	0	1/1/2020
8	BUD	Corporate	MONTH	0	0	0	0	0	0	-20,000.00	0	-20,000.00	0	-35,000.00	0	1/1/2019
9	BUD	Corporate	MONTH	0	########	0	0	0	-2,000.00	0	0	0	0	0	0	1/1/2020
10	BUD	Foundatic	MONTH	0	0	0	0	0	0	0	-90,000.00	0	0	0	-25,000.00	1/1/2019
11	BUD	Foundatic	MONTH	0	0	########	0	0	0	0	0	0	0	0	0	1/1/2020
12	BUD	Governme	MONTH	0	0	0	0	0	0	0	0	0	-10,000.00	0	0	1/1/2019
13	BUD	Program F	MONTH	0	0	0	0	0	0	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	1/1/2019
14	BUD	Program F	MONTH	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	0	0	0	0	0	0	1/1/2020
15	BUD	Interest Ir	MONTH	0	0	0	0	0	0	-20	-20	-20	-20	-20	-20	1/1/2019
16	BUD	Interest Ir	MONTH	-20	-20	-20	-20	-20	-20	0	0	0	0	0	0	1/1/2020
17	BUD	Members	MONTH	0	0	0	0	0	0	-1,000.00	-2,000.00	-300	-600	-2,200.00	-100	1/1/2019
18	BUD	Members	MONTH	-400	-300	-500	-700	-200	-1,900.00	0	0	0	0	0	0	1/1/2020
19	BUD	Salary & W	MONTH	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	0	0	0	0	0	0	1/1/2019
20	BUD	Payroll Ta	MONTH	0	0	0	0	0	0	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1/1/2019
21	BUD	Payroll Ta	MONTH	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	0	0	0	0	0	0	1/1/2020
22	BUD	Health Ins	MONTH	0	0	0	0	0	0	500	500	500	500	500	500	1/1/2019
23	BUD	Health Ins	MONTH	500	500	500	500	500	500	0	0	0	0	0	0	1/1/2020
24	BUD	Rent	MONTH	0	0	0	0	0	0	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	1/1/2019
25	BUD	Rent	MONTH	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	0	0	0	0	0	0	1/1/2020
26	BUD	Postage ai	MONTH	0	0	0	0	0	0	400	600	800	1,300.00	500	2,300.00	1/1/2019
27	BUD	Postage ai	MONTH	100	2,400.00	200	300	299	400	0	0	0	0	0	0	1/1/2020

IIF BUDGET EXPORT FILE OPENED WITH MICROSOFT EXCEL

1. From the File:Utilities menu, select "Export:Lists to IIF Files…"
2. Select "Budgets" and Click "OK."

3. Choose a File Name and a Location for the exported file and click "Save."
4. Open the file using Microsoft Excel (be sure to change the File type to "All Files" instead of "All Excel Files" when attempting to access the exported file as it will be currently in an IIF format.)
5. Click through the Text Import Wizard screens to open the file in Microsoft Excel.
6. Locate the "StartDate" Column and change the date for appropriate rows to the next year for which you are creating the budget. (Do not alter the month and day.)
7. Save the changed file.
8. Return to QuickBooks and from the File:Utilities menu, select "Import:IIF Files…" to import your new budget. Your previous year's budget will remain intact.
9. Adjustments can be made to your newly imported budget in the Set Up Budgets window.

After entering your budget, create a Budget Summary report to review your entry.

													Profit & Loss Budget Overview	

Customize Report | Comment on Report | Share Template | Memorize | Print ▼ | E-mail ▼ | Excel ▼ | Hide Header | Collapse | Refresh

Dates Custom ▼ From 07/01/2019 To 06/30/2020 Show Columns Month ▼ Sort By Default ▼

6:52 PM
12/15/07
Accrual Basis

Synergy Now
Profit & Loss Budget Overview
July 2019 through June 2020

	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	TOTAL Jul '19 - Jun 20
Ordinary Income/Expense													
Income													
Individual Contributi...	4,000.00	5,000.00	8,000.00	10,000.00	12,000.00	20,000.00	1,000.00	2,300.00	3,500.00	5,000.00	6,000.00	10,000.00	86,800.00
Corporate Grants	20,000.00	0.00	20,000.00	0.00	35,000.00	0.00	0.00	10,000.00	0.00	0.00	0.00	2,000.00	87,000.00
Foundation Grants	0.00	90,000.00	0.00	0.00	0.00	25,000.00	0.00	0.00	54,000.00	0.00	0.00	0.00	169,000.00
Government Grants	0.00	0.00	0.00	10,000.00	0.00	0.00							10,000.00
Program Fees	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00
Interest Income	0.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	220.00
Membership Dues	1,000.00	2,000.00	300.00	600.00	2,200.00	100.00	400.00	300.00	500.00	700.00	200.00	1,900.00	10,200.00
Total Income	26,000.00	98,020.00	29,320.00	21,620.00	50,220.00	46,120.00	2,420.00	13,620.00	59,020.00	6,720.00	7,220.00	14,920.00	375,220.00
Gross Profit	26,000.00	98,020.00	29,320.00	21,620.00	50,220.00	46,120.00	2,420.00	13,620.00	59,020.00	6,720.00	7,220.00	14,920.00	375,220.00
Expense													
Salary & Wages	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	144,000.00
Payroll Tax	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	14,400.00
Health Insurance	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
Rent	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	28,800.00
Postage and Delivery	166.66	166.66	166.66	166.66	166.66	166.66	166.66	166.66	166.66	166.66	166.66	166.70	1,999.96
Professional Fees													
Consulting	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	180,020.04
Total Professional F...	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	15,001.67	180,020.04
Telephone Expense	0.00	0.00	0.00	0.00	0.00	0.00							0.00
Total Expense	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.33	31,268.37	375,220.00
Net Ordinary Income	-5,268.33	66,751.67	-1,948.33	-9,648.33	18,951.67	14,851.67	-28,848.33	-17,648.33	27,751.67	-24,548.33	-24,048.33	-16,348.37	0.00
Net Income	-5,268.33	66,751.67	-1,948.33	-9,648.33	18,951.67	14,851.67	-28,848.33	-17,648.33	27,751.67	-24,548.33	-24,048.33	-16,348.37	0.00

PROFIT & LOSS BUDGET OVERVIEW REPORT

This report can be given to the board of directors for approval and should become a part of the board minutes.

Entering Income

In determining the best way to enter income into QuickBooks for a nonprofit organization, it is vital to consider the fact that almost all nonprofits need some sort of donor, funder, member or student database to track pledges, invoice members or students, track donations, provide donor thank you letters or year-end IRS required donor acknowledgement letters, as well as to analyze donation patterns over time. There are three basic methods for entering income and the appropriate choice depends on how they are currently addressing these database needs. Consider the following questions:

1. Does the organization currently use a database solution outside of QuickBooks?
2. Are they satisfied with this solution? Is it meeting their needs? Is it easy to use?
3. If they need to Invoice donors, funders, members or students, is this function being performed in this outside database?
4. How are they satisfying the IRS requirement regarding written acknowledgment of donations received?
5. Is data being imported into QuickBooks and how does that import work? Should the data be imported into QuickBooks if it is not currently being done?

Ultimately a decision must be made as to whether these functions are to be provided from a separate database solution OR if your client needs some or all of these functions to be performed directly within QuickBooks.

Method 1 – The Total-by-Category Method

This method is a good choice for those organizations that already have a donor, funder, member or student data base with which they are satisfied. This method assumes the data from this external database IS NOT being imported into QuickBooks. Those using this choice would enter income using the Make Deposits window.

TOTAL-BY CATEGORY METHOD USING THE MAKE DEPOSITS WINDOW

1. Deposits are entered summarized by income account and class as opposed to being entered as individual payments on separate lines. Since the individual payments have already been entered

in the external database solution, reentering them into QuickBooks is unnecessary and results in increased work.

2. Place an identifying number in the "Memo" field for each deposit. This number can then be entered in the external database for each payment that was part of this deposit to allow easy reconciliation of specific payments between QuickBooks and the external database.

3. Make sure to enter separate lines not only for account but also by class. Income associated with a particular program should be classed to that program. Unrestricted amounts not associated with a program at all should be put to the Fundraising or Administrative class. It is important to handle these consistently for all unrestricted amounts.

Those using this method _exclusively_ may wish to enter a month end journal entry to record outstanding receivables.

ENTERING MONTH END RECEIVABLES USING THE MAKE JOURNAL ENTRY SCREEN

1. Accounts receivable reports from the external database provide the amounts to be entered.
2. Amounts should be entered by account and class.
3. Create a customer called whatever your outside database is titled (e.g. "My Membership Database") in the name field.
4. This entry should be reversed and replaced with a new entry at the end of each month (or reporting period).

One big advantage of this method: Those organizations that have large numbers of donors, members or students and may receive hundreds of payments every month do not clutter up their QuickBooks data file with every single payment. This allows large organizations with significant database needs to use QuickBooks as an efficient accounting solution.

Method 2 – Import into QuickBooks from External Database

This method is specifically for those organizations that are using a database that contains a QuickBooks import feature. While at first glance this may seem an attractive solution, it's important to understand how the import feature actually works before employing this method. Relevant questions to ask include:

1. How do the transactions import? To which QuickBooks forms/screens?
2. Does each transaction come over individually or does this happen in summarized form? Most imports come over individually which may clutter up a data file leading to file degradation over the long term.
3. Does the database include a field that can be mapped to Class and Customer:Job?
4. If there is a field for class (or something like it) in the database; is there a limit to the number of classes that can be used? Does it cost the client more to increase that limit?
5. How difficult is it to perform the import feature? Is there good technical support available BY PHONE from the database company? QuickBooks technical support will not be able to address most import questions. Does this support cost extra money?
6. Does the organization have someone willing and able to perform this import function on a regular basis or is the organization willing to pay someone (like yourself) to train them on how to do it?

Specifics on how to perform this import vary depending upon the external database solution and are outside the scope of this course.

Method 3 – The Individual Entry Method

Overview

This method is for organizations that wish to use QuickBooks AS their database. If set up correctly, QuickBooks can effectively serve as a light database performing such tasks as:

1. Invoicing and tracking receivables for grantors, members or students.
2. Tracking pledges and generating reminder letters.
3. Generating individual donor thank you letters that can be printed and mailed or emailed to a donor upon receipt of a donation.
4. Generating year end donation acknowledgement letters with an attached list of donations.
5. Track quantities and amounts for different membership levels or sponsorship levels.
6. Generate helpful reports to aid in analysis (e.g., donation history levels over time).
7. Notes and reminders.

Those electing to use The Individual Entry Method will be entering transactions individually by person/funder and should use the sales forms commonly used by most for-profit businesses using QuickBooks.

1. Invoice – for entering receivables such as Memberships, Tuitions, and other Income that is to be paid at a later date. (also may be used for pledges – covered later in this training).

2. Sales Receipt ("Donations" in the Premier Nonprofit Editions) – for recording donations, memberships, tuitions and any other income received which was not previously invoiced.
3. Record Deposit Window – to record deposits that have nothing to do with income (e.g. refund of an expense, interest income…)

Some clients will attempt to use the Record Deposits window to enter income. While this will increase the bank account balance and the income accounts, the client will be unable to access many of the features that allow QuickBooks to function as an effective database. Care must be taken to train the client on using the Invoice and Sales Receipts forms.

Using the Invoices and Sales Receipts forms requires the client to create items.

Creating Items

Items are something that your clients may have a tough time understanding. I like to begin by telling my clients to simply think of an item as a substitute for an income account. Instead of entering the income account for a transaction, we are entering an item *that is pointed to the income account*. If the client asks why they can't enter an income account on an invoice or sales receipt form, I tell them that these forms were designed to be given to customers and many for profit businesses using these forms do not wish their customer to see the general ledger income account on the form. Then I ask them "when they get an invoice or a receipt from a company does it have the general ledger account on it? No, it typically has just the *items* they purchased. That's what Items are!" This usually satisfies them.

Here are some general rules for creating items for nonprofit organizations:

1. Try to use the same Item type, usually service, for all income items. This is just easier for the client to understand and results in cleaner item reports which are subtotaled by item type. (Those tracking Inventory in QuickBooks would need to also use Inventory Part.)
2. All items can be "one-sided." They are not meant to be used for expenses.
3. When possible, make the item name match the income account name that it is pointing to. This will make it easier on your client to understand when entering transactions.
4. Use sub items when appropriate to help organize the list.
5. When using sub items be sure to point the "parent" item to an account that never should be used (e.g. an income account named "Should Be Zero") so that if your client inadvertently uses the parent item on a transaction, the error will show on a Profit & Loss reports and can be easily corrected.
6. Create at least one item for each appropriate income account in your chart of accounts.
7. Use items with sub items in lieu of accounts and subaccounts to segregate levels/types of revenue for a specific income account (e.g. "Membership" items with sub items for "General Membership", Affiliate Membership, Retired Membership ... all pointing to the same income account "Membership Income")

8. When appropriate, make use of the default description and price (e.g. General Membership =$199, Affiliate Membership =$149, Retired Membership = $129…)

Below are a few examples of item lists for various types of organizations.

For a traditional 501-C-3 Charity with most revenues from donations and grants:

NAME	DESCRIPTION	TYPE	ACCOUNT	O...	PRICE	ATTACH
◆ Corporate Grants	Grants from Corporatio...	Service	Corporate Grants		0.00	
◆ Foundation Grants	Grants from Foundations	Service	Foundation Grants		0.00	
◆ Government Grants	Government Grants	Service	Government Grants		0.00	
◆ Individual Contributions	Donations from Individu...	Service	Individual Contributions		0.00	
◆ Workshop Fees	Fee for one day worksh...	Service	Workshop Fees		100.00	

EXAMPLE ITEM LIST FOR TRADITIONAL 501-C-3 CHARITY

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For a membership organization with various levels of membership and an annual conference:

EXAMPLE ITEM LIST FOR A MEMBERSHIP ASSOCIATION

For a small private school:

EXAMPLE ITEM LIST FOR A SMALL PRIVATE SCHOOL

For a Performing arts organization:

Notice that we are not using items to segregate each show. Performing arts organizations typically use subclasses for the individual shows (e.g. Class = Shows; Subclass 1 = "To Kill a Mockingbird"; Subclass 2 = "Cats"; Subclass 3 = "The Pillowman"). This way the client can point both income AND expenses to the show and generate a Profit & Loss for an individual show.

Entering Income Transactions

Once the items have been created, entering income using the sales forms works in the same way it would for any for-profit business.

Before using the forms, customize them by adding a Class column; this will allow you to split income between multiple classes on a single form.

Use Sales Receipts ("Donations" in QuickBooks Premier Nonprofit Edition) to record income received for which no invoice was created.

EXAMPLE SALES RECEIPT TO RECORD RECEIPT OF A FOUNDATION GRANT

Use Invoices for all income that you wish to invoice funders, members, students, and other customers.

INVOICE FOR MEMBERSHIP DUES

Database Type Reports

Using detailed Items on Invoices and/or Sales Receipt forms (Method 3 – The Individual Entry Method) allows the client to generate many donor/member/student reports typically needed by nonprofit organizations. You will note that the title of each report has been changed to make the purpose clear to the user. (This is done in Customize Report on the Header/Footer tab.)
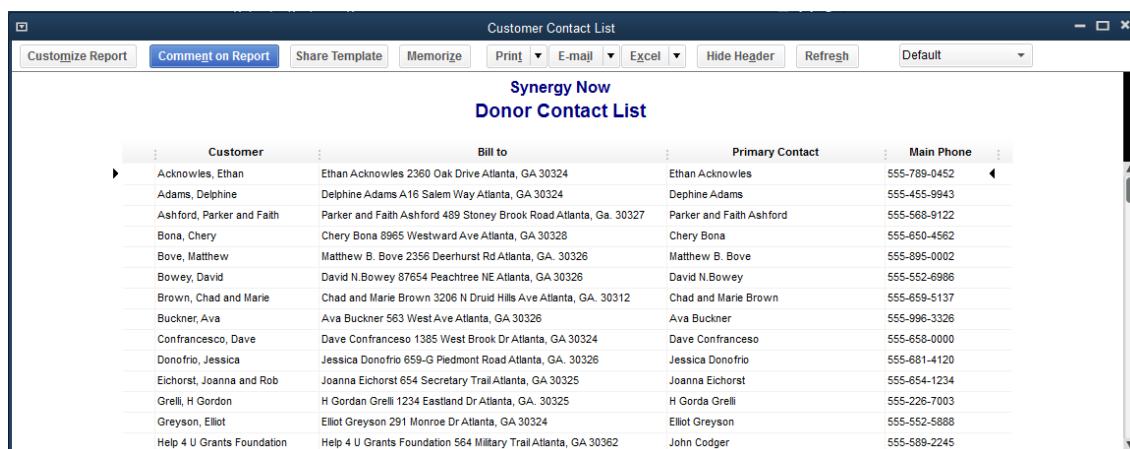
Below are a few report examples.

Donations by donor by year :

	Jun 30, 16	Jun 30, 17	Jun 30, 18	Jun 30, 19	Jun 30, 20	TOTAL
The Villa Foundation	0.00	0.00	15,000.00	25,000.00	70,000.00	110,000.00
The Amalgamated Way	0.00	1,000.00	2,500.00	11,000.00	55,000.00	69,500.00
Masterson, Michael and San...	0.00	5,000.00	7,500.00	9,000.00	10,495.00	31,995.00
Hugh Grants Foundation	0.00	0.00	0.00	2,500.00	15,000.00	17,500.00
Whirl-Com Telescom	2,500.00	2,750.00	3,250.00	3,500.00	5,000.00	17,000.00
Bowey, David	4,000.00	3,200.00	2,375.00	5,050.00	750.00	15,375.00
Adams, Delphine	2,300.00	2,150.00	2,025.00	3,200.00	3,500.00	13,175.00
Ashford, Parker and Faith	2,200.00	1,985.00	2,300.00	4,200.00	1,550.00	12,235.00
Grelli, H Gordon	1,500.00	2,200.00	2,300.00	2,500.00	1,500.00	10,000.00
Eichorst, Joanna and Rob	1,980.00	2,300.00	2,100.00	1,500.00	2,000.00	9,880.00
Mayer, Paige	0.00	2,500.00	2,000.00	1,500.00	3,500.00	9,500.00
Acknowles, Ethan	0.00	0.00	0.00	2,500.00	6,475.00	8,975.00
Buckner, Ava	0.00	0.00	300.00	3,500.00	4,000.00	7,800.00
Holden, Jack	0.00	0.00	275.00	350.00	7,000.00	7,625.00
Kesney, Scotty	500.00	1,000.00	1,500.00	2,000.00	2,500.00	7,500.00
Brown, Chad and Marie	1,900.00	1,500.00	1,500.00	1,200.00	0.00	6,100.00
Langley, Emma	750.00	1,000.00	1,250.00	1,500.00	1,500.00	6,000.00
Greyson, Elliot	0.00	0.00	0.00	500.00	3,500.00	4,000.00
Lane, Lois	250.00	500.00	750.00	1,000.00	1,000.00	3,500.00
Krompegal, Jonathan	0.00	0.00	500.00	750.00	900.00	2,150.00
Donofrio, Jessica	300.00	250.00	325.00	350.00	375.00	1,600.00
Bona, Chery	0.00	0.00	350.00	325.00	500.00	1,175.00
Madden, Erin	0.00	150.00	175.00	200.00	250.00	775.00
Littleton Corp	100.00	100.00	50.00	50.00	50.00	350.00
TOTAL	18,280.00	27,585.00	48,325.00	83,175.00	196,345.00	373,710.00

CUSTOMIZED SALES BY CUSTOMER SUMMARY REPORT

Donor Contact List:

Detail List of donations that can be given to donors at year-end:

NOTE: When printing the above report, select "Page break after each major grouping" to create a separate report for each donor.

Because Items must be used on the Invoice and Sales Receipts (Donations) forms in QuickBooks and because items track quantities, useful reports containing quantities can be generated.

SALES BY ITEM SUMMARY REPORT

Note the average individual donation for the year is also shown on the report.

Traditional receivable reports can be generated from earned revenue that is invoiced.-

CUSTOMIZED OPEN INVOICES REPORT TO TRACK TUITIONS RECEIVABLE

Pledges

Many larger nonprofit organizations have pledge drives that generate commitments from donors to give contributions at some point in the future. Those wishing to record the pledges as part of the monthly financial statements may use the standard QuickBooks Invoice for this purpose. Pledges due in installments should be entered as separate invoices with different due dates.
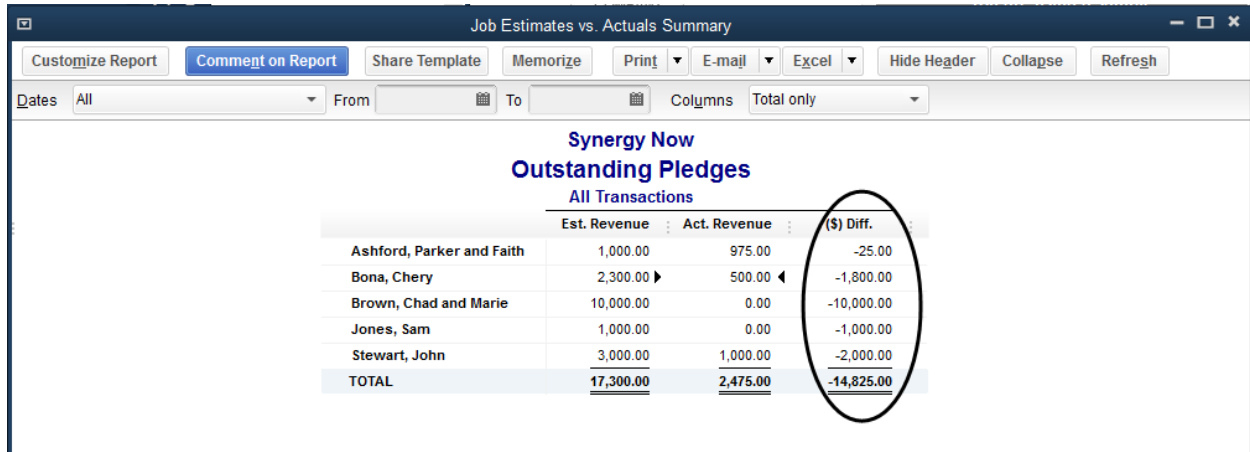
There are many organizations for which collection of these pledges is by no means assured. These nonprofits prefer not to have these promises to give reflected on board reports during the year. Reporting on the Cash Basis would remove these pledges but would also remove actual accounts receivable and perhaps more importantly, would remove outstanding payables as well. These organizations wish to basically have accrual based reports EXCEPT FOR PLEDGES.

There are a few options available to organizations wishing to track pledges in QuickBooks WITHOUT the pledges showing on ACCRUAL based profit & loss reports. All have advantages and disadvantages.

1. <u>Track outstanding pledges in a separate data file</u> used exclusively for tracking pledges. This option allows the client to use the standard invoice screen to track pledges.
   a. Advantage: Organization has access to all Invoice functionality including all the standard receivable reporting, the ability for the donor to pay using the On-line Bill pay service, as well as to generate reminder letters for those donors who have not yet paid.
   b. Disadvantage: Each time a payment is received, the transaction must be entered to two different data files (e.g., as a receive payment in the data file used to track pledges and again as a sales receipt in the main data file.) The two separate database files will need to be reconciled against each other to ensure accuracy.
2. <u>Pending Invoices</u>: Users would create pending invoices to track pledges.
   a. Advantage: This allows the organization to maintain just one data file. The Pending Sales report will show outstanding pledges.
   b. Disadvantages: Data entry becomes complicated. When payments are received, the user must mark the invoice as final, change the date on the invoice to the payment date (to ensure the accrual based profit and loss will include the donation as of the date received) and then receive a payment against the invoice. Things become even more complicated if a partial payment is received. In these cases, the original invoice must also be lowered to match the amount of the partial payment. Additionally, another invoice must be created to represent the balance of the pledge due. Another

disadvantage of this method is that a history of payments made against a pledge cannot be tracked.

3. Estimates: Users enter an estimate for each pledge. As payments are received, an invoice is created from the estimate in the amount of the payment. The Estimate to Actual reports will show outstanding pledge amounts (as a negative number in the difference column).

	Est. Revenue	Act. Revenue	($) Diff.
Ashford, Parker and Faith	1,000.00	975.00	-25.00
Bona, Chery	2,300.00 ▶	500.00 ◀	-1,800.00
Brown, Chad and Marie	10,000.00	0.00	-10,000.00
Jones, Sam	1,000.00	0.00	-1,000.00
Stewart, John	3,000.00	1,000.00	-2,000.00
TOTAL	17,300.00	2,475.00	-14,825.00

JOB ESTIMATES VS. ACTUAL SUMMARY USED TO SHOW OUTSTANDING PLEDGES

a. Advantages: Users can maintain one data file. Progress invoicing allows the tracking of partial payments. Estimating reports can track pledges.
b. Disadvantages: While not as complicated as a pending invoice, one still has a multiple step process for recording the receipt of a pledge payment (e.g., creating the invoice and then receiving the payment). Also, as one can see, amounts still outstanding are represented by negative numbers which is confusing. Finally due dates do not appear.

4. Sales Orders: Those with QuickBooks Premier or higher can use the sales order feature to track pledges. Because sales orders are tracked by quantity , a key point to remember here is that in order to be able to track partial payments, the pledge amount MUST be entered in the QUANTITY FIELD with a rate =1.

USING SALES ORDERS TO ENTER PLEDGES

As payments are received, an invoice is created against the sales order placing the payment amount in the invoiced column (typically where the quantity is placed).

OPEN SALES ORDERS BY CUSTOMER REPORT USED TO SHOW OUTSTANDING PLEDGES

a. Advantages: Users maintain one data file. Sales orders can accurately track pledges. Sales order reports properly show outstanding balances AND due dates.

b. Disadvantage: One still has a multiple step process for recording the receipt of a pledge payment (e.g., creating the invoice and then receiving the payment).

While the Sales Order method appears to offer the best reporting (outside of tracking Pledges in a separate data file), it is only available in QuickBooks Premier Editions and higher.

Entering Expenses

Entering expenses other than payroll

When entering bills, checks, and credit card charges it is very important to split expenses between classes at the time of data entry. Remember that expenses related to the organization's programs, either directly or indirectly, should be pointed to that program's class.

Single classed transactions (Direct costs)

Some expenses are directly attributable to one particular program and can therefore simply be pointed to that one class.

POINTING A BILL TO A PROGRAM USING CLASS

This traditional method of classing transactions works the same way as it would for your for-profit clients.

Multi-classed transactions (Indirect Costs)

Other expenses benefit multiple programs, admin and/or fundraising costs. These costs should be split between classes. Some examples of these include:

1. Payroll Costs (Covered Later)
2. Facilities Costs – These costs would include expenses such as office rent, utilities, building repairs, internet and liability insurance.

Organizations should allocate these costs between programs (and possibly admin and fundraising) using some rational basis that is documented.

Facility costs are traditionally allocated based on the amount of space used for each program. This is called the Square Foot Method and will be accepted by an auditor. Once the appropriate square foot percentages per class have been determined, these should be applied consistently to all facility costs.

The method displayed below demonstrates how to automate this allocation through the use of group items.

Create 2 items for each expense to be allocated:

ITEM TO BE USED IN A GROUP ITEM

The above item will only be used as part of a group. Place an "*" in front of the name, use a rate of "1" and point it to the appropriate expense account.

GROUP ITEM TO BE USED TO AUTO ALLOCATE EXPENSES BETWEEN PROGRAM,S

This second item is a group item to be used when entering expenses to be auto allocated. Enter the previous item, one time for each class, and use the quantity field to put the allocation % as a decimal. The total of the quantities should be 1. The group item can now be used on checks, bills and credit card charges-

USING GROUP ITEMS TO AUTO ALLOCATE COSTS ON A CHECK

Add the classes and enter the dollar amount of the expense in the quantity field on the group name row.

Turn on the "Automatically recall last transaction for this name" preference so that future checks to the same vendor will recall the class fields.

Payroll Expenses

By far the biggest expense for most nonprofit organizations is payroll. Just as with facilities costs, payroll expenses should be allocated to programs, admin and fundraising based on a rational basis (usually time spent) and documented (on timesheets).

Organizations processing payroll within QuickBooks

Those using QuickBooks to process payroll will find allocating payroll between classes fairly easy. Pay checks can be allocated directly in the paycheck detail window OR the organization can elect to use timesheets for those employees for whom the splits change from pay period to pay period.

The following preferences should be activated to allow for proper allocation between classes.
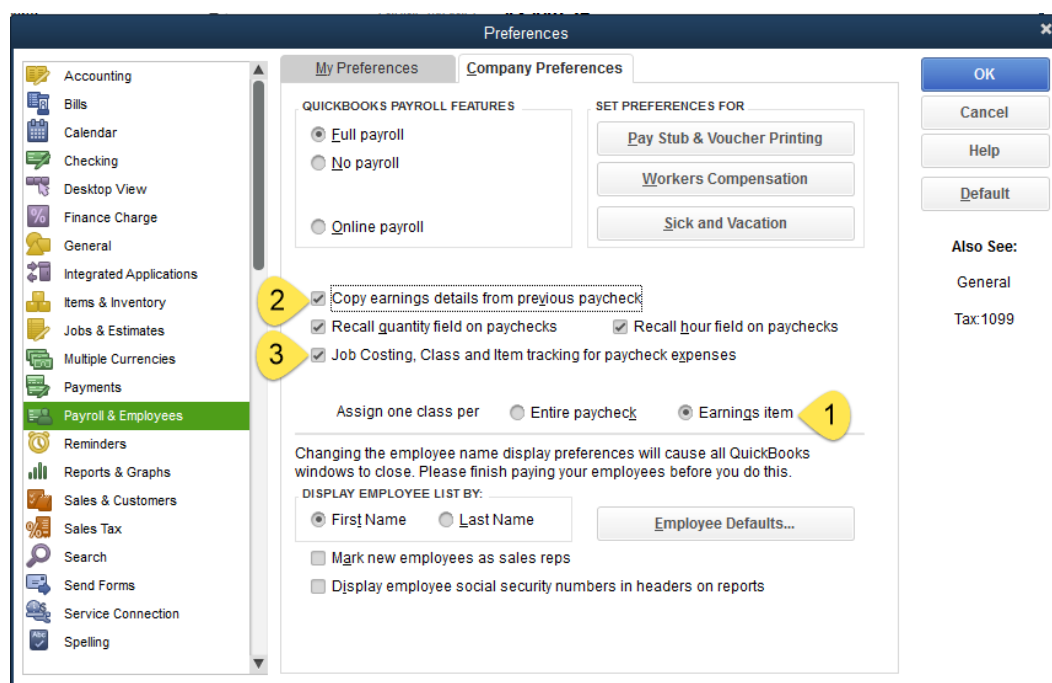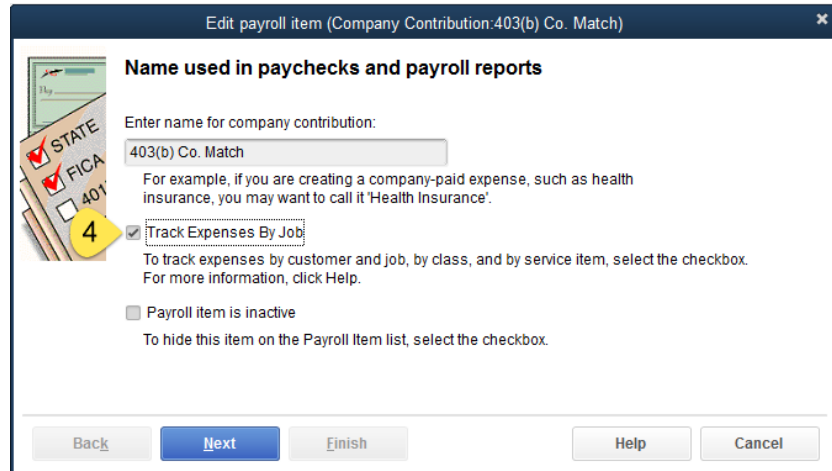
IMPORTANT PAYROLL PREFERENCES FOR SPLITTING PAYROLL BETWEEN PROGRAMS

1. Assign on class per Earnings item: To allow for a single paycheck to be allocated to multiple classes.
2. Copy earnings details from previous paycheck: To avoid rekeying the same classes/allocations for those employees with consistent splits throughout the year.

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3. Job Costing, Class and Item tracking for paycheck expenses: Auto allocate employer taxes for a paycheck using the same allocations used on the paycheck.

Finally, the following option should be checked for all Addition, Deduction and Company contribution payroll items:

ACTIVATING THE "TRACK EXPENSES BY JOB" FEATURE FOR A PAYROLL ITEM

This will auto allocate Additions, Deductions and Company Contributions related to a paycheck using the same allocations on the paycheck.

Once the above features have been activated, splitting payroll between programs, admin and fundraising is easily accomplished.

USING THE HOURS COLUMN TO ALLOCATE PAYROLL

Those not using timesheets can express the appropriate allocation using the Hours column.

Organizations processing payroll outside of QuickBooks

Nonprofits electing to process payroll outside of QuickBooks will need to enter their payroll into QuickBooks allocated by class. Most accomplish this via the write checks window or through the use of a large memorized journal entry.

ENTERING PAYROLL PROCESSED OUTSIDE OF QUICKBOOKS VIA A MEMORIZED JOURNAL ENTRY

Many outside payroll processors have the ability to record payroll by department. If this is the case, the processor should use the class list as the departments. The processor can use the department allocation percentages to generate payroll total reports BY DEPARTMENT to aid you in data entry.

Some payroll processors can actually import payroll directly into a QuickBooks data file. Before using this feature, make sure that the import splits amounts using the class feature. Run a test to see exactly how this works before implementation.

Basic Nonprofit Reports

In this section we discuss the basic reports required by the accountant and the board. More detailed reports can be found in other sections of this guide.

Reports for the Auditor/Accountant at year-end

Although the auditor/accountant should be given a copy of the data file to work with, the two basic financial statements most accountants will need out of QuickBooks are:

1. Standard Balance Sheet
2. Profit & Loss by Class

The above report is ideal for an auditor to use in order to create the required Statement of Functional Expenses. It is also necessary to record expenses on a by-program basis when completing the 990 IRS return.

Additionally the report is an excellent analysis tool. A reader can quickly see which programs are paying for themselves and the total of unrestricted revenues. Finally, by customizing the form to include a "% of Row" one can see program, admin and fundraising costs as a % of total costs.

Reports for the Board

The idea is to give the board an easy-to-read set of financial statements. This should include:

1. Standard Balance Sheet
2. Profit & Loss compared to Budget

	Jul - Sep 19	Budget	$ Over Budget	% of Budget
Income				
Individual Contributions ▶	4,901.00 ◀	55,000.00	-50,099.00	8.9%
Corporate Grants	6,300.00	18,000.00	-11,700.00	35.0%
Foundation Grants	38,995.00	89,000.00	-50,005.00	43.8%
Government Grants	12,100.00	17,900.00	-5,800.00	67.6%
Program Fees	11,895.00	12,750.00	-855.00	93.3%
Membership Dues	0.00	850.00	-850.00	0.0%
Miscellaneous Income	96.00			
Interest Income	231.00	235.00	-4.00	98.3%
Total Income	74,518.00	193,735.00	-119,217.00	38.5%
Gross Profit	74,518.00	193,735.00	-119,217.00	38.5%
Expense				
Salary & Wages	20,448.00	94,500.00	-74,052.00	21.6%
Payroll Taxes	0.00	7,560.00	-7,560.00	0.0%
Health Insurance	1,266.00	6,458.00	-5,192.00	19.6%
Rent	3,300.00	18,235.00	-14,935.00	18.1%
Postage and Delivery	370.00	970.00	-600.00	38.1%
Printing and Reproduc...	700.00	3,750.00	-3,050.00	18.7%
Bank Service Charges	75.00	375.00	-300.00	20.0%
Contract Labor	980.00	6,500.00	-5,520.00	15.1%
Dues and Subscriptions	235.00	635.00	-400.00	37%
Space Rental	0.00	12,000.00	-12,000.00	0.0%
Equipment Rental	750.00	2,412.00	-1,662.00	31.1%
Interest Expense	225.00	1,320.00	-1,095.00	17%
Licenses	60.00	295.00	-235.00	20.3%
Miscellaneous	49.00	175.00	-126.00	28.0%
Office Supplies	650.00	3,500.00	-2,850.00	18.6%
Other Supplies	580.43	3,200.00	-2,619.57	18.1%
▶ Professional Fees	5,125.00	20,000.00	-14,875.00	25.6%
▶ Repairs and Maintenan...	537.00	1,000.00	-463.00	53.7%
Telephone	1,176.20			
▶ Travel	789.12	8,000.00	-7,210.88	9.9%
▶ Utilities	1,335.72	2,850.00	-1,514.28	46.9%
Total Expense	38,651.47	193,735.00	-155,083.53	20%
Net Income	35,866.53	0.00	35,866.53	100.0%

CUSTOMIZED PROFIT & LOSS BY BUDGET VS. ACTUAL REPORT FOR AN ORGANIZATION BUDGETING BY YEAR

The above organization budgets by year. In this example 25% is the amount of the year that has occurred. Expect questions from the board for any account whose % is not close to 25%.

If the % of Budget column is equal to 100%, the organization is right on budget for the month. Any other % may require an explanation to the board.

Special Topics

In this section we will cover some special transactions encountered by many nonprofit organizations. For each topic, we will review proper set up, transaction entry, and the key reports that can be generated.

Tracking Restricted Grants

Many nonprofit organizations are awarded grants that are restricted in terms of how they can be used (use restricted) and/or over what time period they can be used (time restricted). In these cases it is important to track how dollars were spent for a specific grant in order to complete required reports to the grantors.

There are two possible lists that are typically used to track how restricted grant dollars are spent

1. Using the Customer:Job field

   ### Set up
   Those using this method enter each restricted grant in the Customer:Job field.

◇ The Amalgamated Way	0.00
◇ Villa Foundation	15,000.00
◇ Villa Foundation 2019/20	15,000.00
◇ Villa Foundation 2020/21	0.00
◇ Unfunded	0.00

   TRACKING RESTRICTED GRANTS IN THE CUSTOMER LIST

   Using the Customer:Job field is the most popular method for tracking restricted grants. Be sure to set up a separate job for each grant from the same grantor so that the grant expenditures can be tracked separately.

   Use the Customer Type field to help segregate restricted grants from other names in the Customer:Job list. This will help when creating reports.

   ### Transaction Entry
   Revenue Invoiced/Received must be entered using the Customer:Job field. This is true even for those using the Total By Category method for entering revenue covered earlier in this guide.

   When entering expenses on checks, bills, credit card charges and journal entries, use the Customer:Job field to indicate that a particular amount is to be paid for out of the grant.

USING THE CUSTOMER:JOB FIELD TO ASSIGN EXPENSES TO A RESTRICTED GRANT

Optional: Since not every expense will be paid for out of a restricted grant, there may not be a grant to point an expense to. To help prevent errors, consider creating a customer called "Unfunded" and placing all expenses not assigned to a grant to this "unfunded" customer. Then instruct the data entry person to "always point expenses to a Customer:Job".

Unlike with the class column, QuickBooks will NOT remind the user if they have forgotten to assign all lines to a Customer:Job. Additionally, unlike with classes, there is no report in the Nonprofit Edition of QuickBooks that shows expenses not assigned to a Customer:Job. Fortunately the "Expenses Not Assigned to Jobs" (or "Expenses not Assigned to Projects") report DOES exist in the Accountants Edition under the "Industry Specific" reports menu for both the Contractors and Professional services edition. Simply open your client's data file in the Accountants edition, generate the report and memorize it. Then send the data file back to your client and they will be able to pull up the Memorized Report you created.

USING THE "EXPENSES NOT ASSIGNED TO JOBS" REPORT TO SEARCH FOR COSTS INCORRECTLY NOT ASSIGNED TO GRANTS

Reports

A Profit & Loss by Job report will show how grant dollars have been spent.

CUSTOMIZED PROFIT & LOSS BY JOB REPORT SHOWING ALL RESTRICTED GRANTS

Important customizations to employ:

a. Change date range to incorporate ALL possible restricted Grants.
b. Filter to include only restricted grants since the report will initially appear with ALL customers with transactions included. (use the Customer Type for this).

This report supplies you with the correct Temporarily Restricted Net Assets number for those making a journal entry to reflect this in the equity section appropriately at the end of a period.

2. Using subclasses in the class list

Those electing this option do so in an effort make data entry easier. This method is most effective for grant heavy organizations for whom each grant only funds one program.

Set up –
A Class, as usual, is created for each program with subclasses created for the grants that pay for the program.
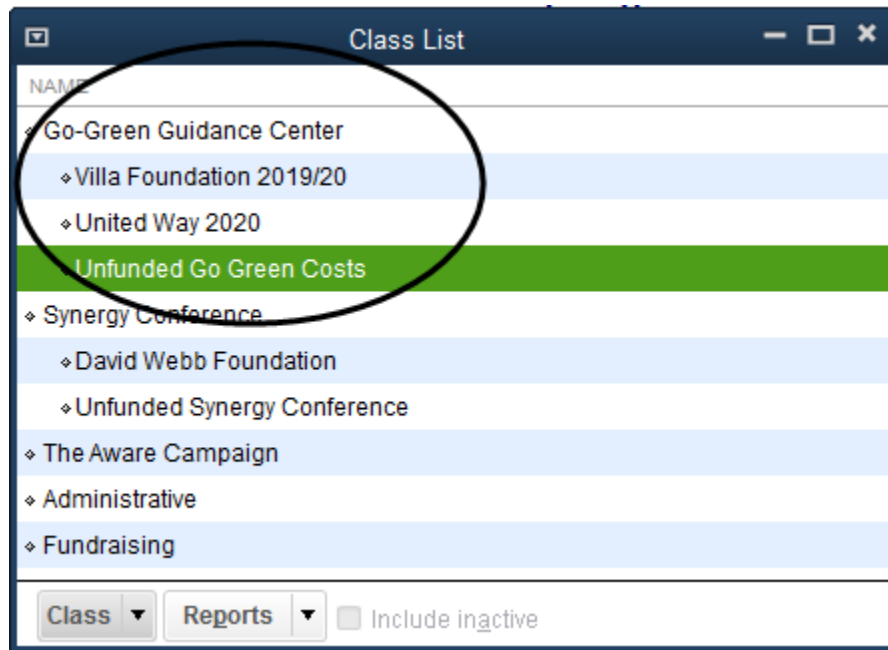
TRACKING RESTRICTED GRANTS IN THE CLASS LIST

Since ALL transactions should be pointed to a class, create an "Unfunded" class under each program to point program costs to that are not paid for out of a grant.

Transaction Entry and Reports –
Simply point all transactions to a class. The standard Profit & Loss by class report will supply a Profit & Loss for each Grant and by extending the date range to include all restricted grants and by filtering the report to include only restricted grants, organizations can find the Temporarily Restricted Net Assets amount.

One added benefit of tracking restricted grants in QuickBooks: it is impossible to point the same dollar amount on a data entry line to more than one Class or Customer:Job. This ensures that the organization doesn't "double-dip" by counting the same dollars spent as being paid out of multiple grants.

BUDGET: Regardless of which method is being used, the grant's budget can be entered using either the Class Budget or the Customer:Job Budget. Simply put the entire grant's budget in the first month of the grant's year (which may be different than the non-profit's fiscal year.).

CUSTOMIZED BUDGET VS. ACTUAL REPORT FOR A RESTRTICTED GRANT

Tracking Special Fundraising Events

Many organizations raise funds through hosting special events (e.g. an annual dinner, a walk-a-thon, a silent auction etc….). These events differ from the organization's program activities in that their main goal is to raise money to support the programs as opposed to actually carrying out the organization's mission directly.

Set Up

It is most beneficial to use the chart of accounts list to track special fundraising events.

TRACKING A SPECIAL FUNDRAISING EVENT USING INCOME ACCOUNTS

1. Use accounts with subaccounts in order to get details as well as a net earnings
2. Make ALL accounts of the income type, even the expense accounts
3. Use a common word in the name (e.g. Gala) to easily find the accounts when entering data
4. Have a separate set of accounts for EACH special fundraising event

Transaction Entry

Point all special event related transactions to accounts using traditional methods.

Do not create a Class for each event. Rather point all special event transactions to the Fundraising Class unless the events proceeds are earmarked for a particular program. In these cases point the special event transactions to the appropriate program class.

NOTE REGARDING TICKET SALES: Typically only a portion of a ticket sale to one of these events is deductible as a contribution since the buyer is receiving some benefit for his purchase. Those organizations wishing to use QuickBooks to generate donor thank-you letters out of QuickBooks should consider using group items to segregate the deductible portion from the nondeductible portion.

USE GROUP ITEMS ON A TICKET SALE TO SEGREGATE DEDUCTABLE PORTION FROM NONDEDUCTIBLE PORTION

Reports

Using this method, special events will appear net of costs within the income section of the Profit & Loss.

PROFIT & LOSS DISPLAYING A SPECIAL FUNDRAISING EVENT WITH SUB ACCOUNTS

PROFIT & LOSS DISPLAYING A SPECIAL FUNDRAISING EVENT WITHOUT SHOWING THE SUB ACCOUNTS

This format matches the standard format for GAAP based financial statements and allows readers to quickly see the net proceeds of the event.

BUDGET: Budget numbers can be entered in the standard method in the Set Up Budgets window.

	Jul '19 - Jun 20	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Individual Contributions	154,807.24	55,000.00	99,807.24	281.5%
Corporate Grants	71,180.00	18,000.00	53,180.00	395.4%
Foundation Grants	220,160.00	89,000.00	131,160.00	247.4%
Government Grants	36,800.00	17,900.00	18,900.00	205.6%
Program Fees	33,937.76	12,750.00	21,187.76	266.2%
Membership Dues	1,155.76	650.00	505.76	177.8%
Miscellaneous Income	1,116.02			
Interest Income	462.00	235.00	227.00	196.6%
Special Event Annual Gala, Net				
Gala Revenue				
Gala Tickets	27,000.00	30,000.00		90.0%
Gala Sponsorships	40,000.00	25,000.00		160.0%
Gala Auction Income	9,450.00	15,000.00		63.0%
Total Gala Revenue	76,450.00	70,000.00		109.2%
Gala Costs				
Gala Equipment Rental	-1,000.00	-1,200.00	200.00	83.3%
Gala Banquet Fee	-5,200.00	-25,000.00	19,800.00	20.8%
Gala Travel	-900.00	-1,000.00	100.00	90.0%
Gala Postage	-435.00	-500.00	65.00	87.0%
Gala Printing	-1,102.00	-1,000.00	-102.00	110.2%
Gala Entertainment	-890.00	-800.00	-90.00	111.3%
Total Gala Costs	-9,527.00	-29,500.00	19,973.00	32.3%
Special Event Annual Gala, Net - O...	0.00	0.00	0.00	0.0%
Total Special Event Annual Gala, Net	66,923.00	40,500.00	26,423.00	165.2%
Total Income	586,541.78	234,035.00	352,506.78	250.6%
Expense				

Budgeted amounts for expenses MUST be entered as negative numbers in the Set Up Budget window!
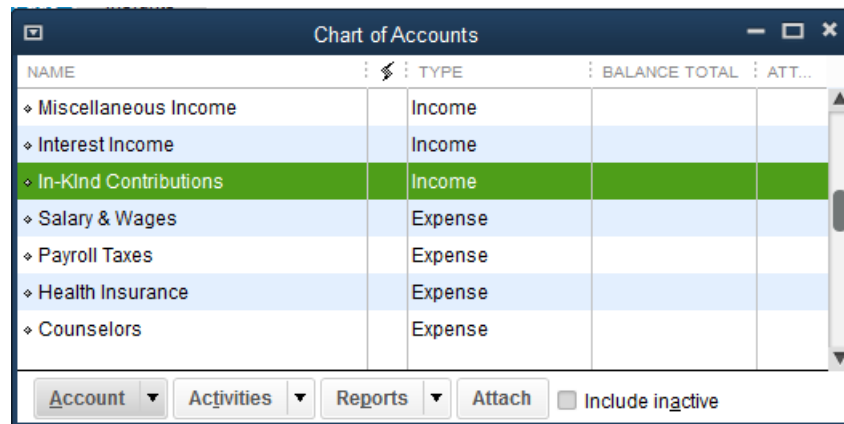
PROFIT & LOSS BUDGET VS. ACTUAL INCLUDING A SPECIAL EVENT

Tracking In-Kind Contributions

Most nonprofit organizations receive gifts in the form of donated goods or services. Many times these in-kind donations provide vitally needed resources and are an integral part of fulfilling the organization's mission. In order to accurately determine the true cost of running the organization, these contributions should be booked in QuickBooks.

Set Up

One Income account tracking In-Kind Contributions should be created.
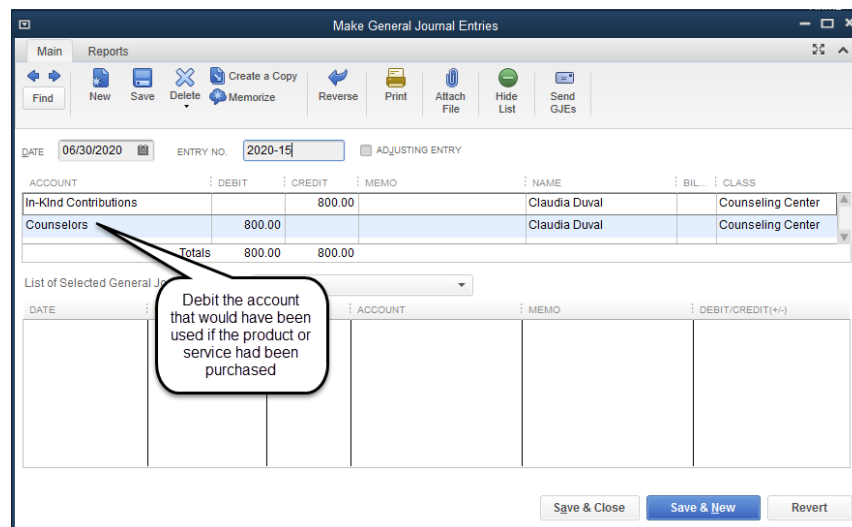
IN-KIND CONTRIBUTIONS INCOME ACCOUNT

NOTE: Although we have only created one income account here, In-Kind gifts related to a special fundraising event require a separate income sub account within the special events section of the chart of accounts (see last topic).

Transaction Entry

Use a journal entry to record the receipt of an in-kind gift.

USING A JOURNAL ENTRY TO RECORD AN IN-KIND CONTRIBUTION

Reports

Financial statements will reflect in-kind gifts in accordance with GAAP.

PROFIT & LOSS BUDGET VS. ACTUAL INCLUDING IN-KIND CONTRIBUTIONS

Although it is entirely appropriate to point in-kind contribution amounts to the same expense accounts used for purchased products and services, this may skew budget to actual reporting in that most organizations do not include in-kind costs as part of their budgeted expense amounts. To resolve this issue an organization may choose one of these approaches:

1. Include in-kind amounts in budgeted numbers.
2. Create and use a separate set of "In-Kind" expense accounts to record in-kind. Make the type "Other Expense" so that it appears at the bottom of the Profit & Loss.
3. Wait to record in-kind until year-end when preparing books for the auditor/accountant.

Tracking Funds

Some organizations, usually houses of worship, segregate activities into separate pieces or funds (e.g. Building Fund, Clothing Fund, Outreach Fund etc.). These organizations need to track the activity in the fund over a period of time and, more importantly, require a report that will tell them the balance in each fund at a given point in time.

Some organizations open a separate bank account for each fund in order to quickly see fund balances. In practice, however, this method becomes quite challenging. When a donor makes a contribution and requests it to be split between multiple funds, a deposit into one account with transfers to the other fund's account would be necessary. Additionally, funds may need to be borrowed from one account to pay another fund's expenses. Finally, a trip to the store to purchase goods for multiple funds may require multiple checks from the different bank accounts.

In this section we will explore the use of classes to track funds. Since houses of worship are by far the most in need of fund tracking, and they usually are not using classes to track their committees/ministries, classes are an excellent choice. (Those organizations that are using classes already to track programs should use subclasses under programs to track funds.)

Set Up
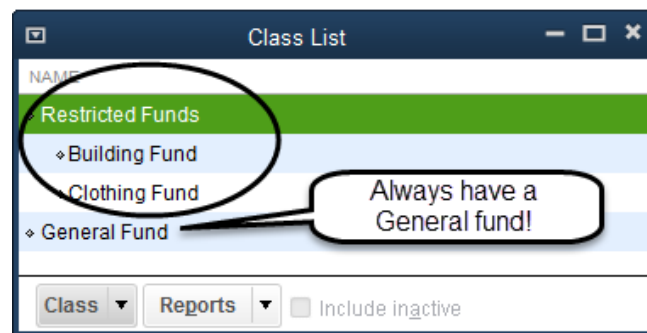
USING CLASSES TO TRACK FUNDS

Create one class for each fund. Always add a General fund class for transactions that do not relate to any fund.

Next, a journal entry will most likely need to be made to record the opening balances in the fund as of the date the organization will begin using QuickBooks to track funds.

USING A JOURNAL ENTRY TO RECORD OPENING FUND BALANCES

This step is an important one. Care should be taken to ensure that the total of all the fund balances including the general fund (which may be a plug figure) is equal to the balance in the bank and investment s accounts as of the date of the journal entry.

Transaction Entry

All transactions going forward should be pointed to a class. This means at the originating point of the transaction (e.g., Revenues entered on Invoices and Sales Receipts should be classed on the sales form and NOT re-classed when making the subsequent deposit.)

Wishing to transfer a portion of a fund balance to another fund? Simply record a journal entry to and from the same account (any account other than a cash, A/R or A/P account is sufficient). Select the appropriate funds classes in much the same way the opening fund balance was entered above.

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Reports

Tracking activity in a fund over a period of time is easily achieved with a Profit & Loss by class report.

USING A PROFIT AND LOSS BY CLASS TO TRACK FUND ACTIVITY

If desired, the report can be filtered to include just one fund.

CUSTOMIZE A CUSTOM SUMMARY REPORT TO GENERATE A REPORT THAT WILL DISPLAY FUND BALANCES-

CUSTOM SUMMARY REPORT USED TO GIVE FUND BALANCES

Important customizations:

1. ALL dates
2. Cash basis
3. Columns=class
4. Filter to include ALL accounts except cash and investment accounts, undeposited funds, A/R, and A/P

This report should be memorized so that it will not need to be recreated.

<u>Trouble shooting errors with the Fund Balance Report:</u>

1. If total doesn't balance to the bank:
    a. Check to see if a new/reactivated account has been created that hasn't been added to the memorized report
    b. If client is using Invoices, make sure they aren't re-classifying when depositing against undeposited funds.
2. If there is an amount in the unclassified column:
    a. Use the Find feature to search for the exact amount in the unclassified column
    b. Run the Profit & Loss Unclassified report to locate the unclassified transactions
    c. Rerun the report as of different days to help isolate the date the offending transaction first appeared

Conclusion

Congratulations! You should now be able to set up lists and enter transactions effectively in order to get the many unique reports required by nonprofit organizations. Although the techniques in this guide are effective, remember that no two organizations are alike and each has their own unique needs, reporting requirements and staff capabilities. Feel free to adapt the techniques in this guide as you deem necessary to meet your client's needs. It is best to make final set up and transaction entry methods in consultation with your client keeping in mind their reporting requirements and staff capabilities.