

QuickBooks For Non-Profits

QuickBooks for Non - Profits

A White Paper by Stephen King
President & CEO of GrowthForce.

Non-profit organizations are businesses with a language and bookkeeping and financial needs all their own. When it comes to bookkeeping for non-profits, the buzz words are donations instead of sales receipts, donors instead of customers, and volunteer hours instead of vendors.

QuickBooks has the Premier Non-Profit edition which utilizes the nomenclature of not-for-profit businesses. However, non-profits don't need to go out and purchase this more expensive, special edition to follow proper bookkeeping procedures. The standard versions of QuickBooks work just fine for non-profit and profit-seeking businesses alike as long as they are designed properly.

Myths vs. Reality

“The truth is that all of the functionality a non-profit needs exists in QuickBooks Pro,” states Margaret Gow, GrowthForce senior manager and advanced certified QuickBooks advisor. “They just need to know how to use it.”

Non-profits can easily covert their unique needs into the business language used by the standard QuickBooks Pro. For example, “Set-up Budgets” in the non-profit edition can be handled under the “Company/Planning” tab in QuickBooks Pro, “Enter Donations” becomes “Create a Sales Receipt” and “Enter Pledges” is the same as “Create Invoices.”

The same is true for reports. The non-profit edition does not have better reporting capabilities. It has the same reports as regular QuickBooks, it just uses different names:

<u>QuickBooks Premier -Non Profit Edition Reports</u>	<u>QuickBooks Pro Reports</u>
Biggest Donors	Sales by Customer
Budget vs. Actual by Donor	Budget by Job
Program Report	Class Transaction Report
Statement of Financial Position	Balance Sheet
Statement of Financial Income & Expense	Profit and Loss

Statement of Functional Expenses (990)

Profit and Loss by Class

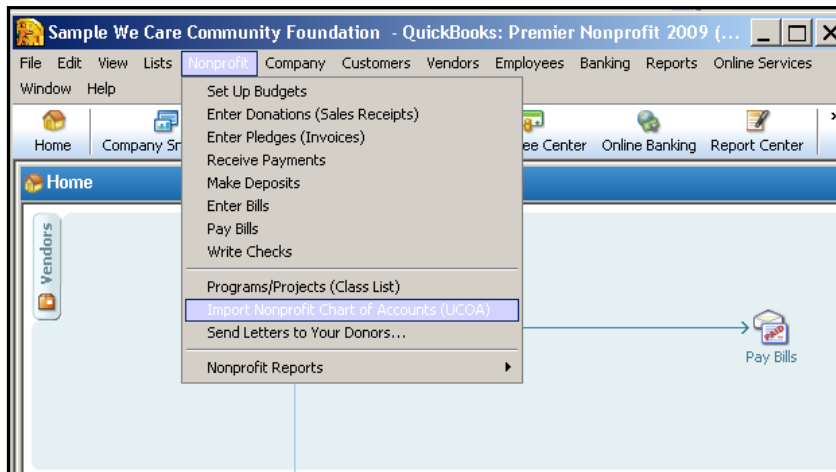
Another myth is that multiple users of QuickBooks must all use the same version. Not so. QuickBooks Pro and the non-profit edition can be used jointly on the same network. “We recommend that our non-profit clients use Premier Non-Profit for the development department and Pro for everyone else in the organization,” explains Gow.

(sidebar)

Discounted copies of QuickBooks Non-Profit edition can now be obtained by non-profits through www.techsoup.org. The Web site provides software packages including Microsoft products and a limited number of QuickBooks licenses at a discount to non-profit organizations. It takes some work to get verified as a non-profit, so allow some time and you will find a wealth of software resources available.

There is one real benefit of using QuickBooks non-profit edition that may justify purchasing the specialized software. The explanation section under the Uniform Chart of Accounts is very detailed and uses non-profit specific terms, ensuring proper use of accounts. Here is the explanation section is set up in the non-profit version:

Allows importing of Non-profit Chart of Accounts



Explanations help ensure proper use of accounts

The screenshot shows the 'Account Setup' window in QuickBooks. At the top, the 'Account Type' is set to 'Income' and the 'Number' is '43480'. The 'Account Name' is 'Volunteer Services - Non-GAAP'. Below this, there is a checked box for 'Subaccount of' with the value '43400 · Direct Public Support'. An 'Optional' section contains a 'Description' field with the text 'Donated services that do not meet GAAP rules - volunteer, non-professional services', a 'Note' field, and a 'Tax-Line Mapping' dropdown set to '<Unassigned>'. A blue link 'How do I choose the right tax line?' is located to the right of the dropdown.

Income accounts in Uniform Chart of Accounts

◆43300 · Direct Public Grants	Income
◆43310 · Corporate and Business Grants	Income
◆43320 · Discounts - Long-term Grants	Income
◆43330 · Foundation and Trust Grants	Income
◆43340 · Nonprofit Organization Grants	Income
◆43400 · Direct Public Support	Income
◆43410 · Corporate Contributions	Income
◆43420 · Donated Art	Income
◆43430 · Donated Prof Fees, Facilities	Income
◆43440 · Gifts in Kind - Goods	Income
◆43450 · Individ, Business Contributions	Income
◆43460 · Legacies and Bequests	Income
◆43470 · Uncollectible Pledges - Est	Income
◆43480 · Volunteer Services - Non-GAAP	Income
◆44400 · Government Contracts	Income
◆44410 · Agency (Government) Contracts	Income
◆44420 · Federal Contracts	Income
◆44430 · Local Government Contracts	Income
◆44440 · Medicare and Medicaid Payments	Income
◆44450 · State Contracts	Income
◆44500 · Government Grants	Income
◆44510 · Agency (Government) Grants	Income
◆44520 · Federal Grants	Income
◆44530 · Local Government Grants	Income
◆44540 · State Grants	Income
◆44800 · Indirect Public Support	Income
◆44810 · Affiliated Org. Contributions	Income
◆44820 · United Way, CFC Contributions	Income
◆45000 · Investments	Income
◆45010 · Costs of Other Asset Sales	Income
◆45020 · Dividend, Interest (Securities)	Income
◆45030 · Interest-Savings, Short-term CD	Income
◆45040 · Other Asset Sales	Income
◆45050 · Other Investment Revenue	Income
◆46400 · Other Types of Income	Income
◆46410 · Advertising Sales	Income
◆46420 · Inventory Sales	Income
◆46430 · Miscellaneous Revenue	Income
◆47200 · Program Income	Income
◆47210 · Bad debts, Est - Program Sales	Income
◆47220 · Member Assessments	Income
◆47230 · Membership Dues	Income
◆47240 · Program Service Fees	Income

Unique Bookkeeping Needs

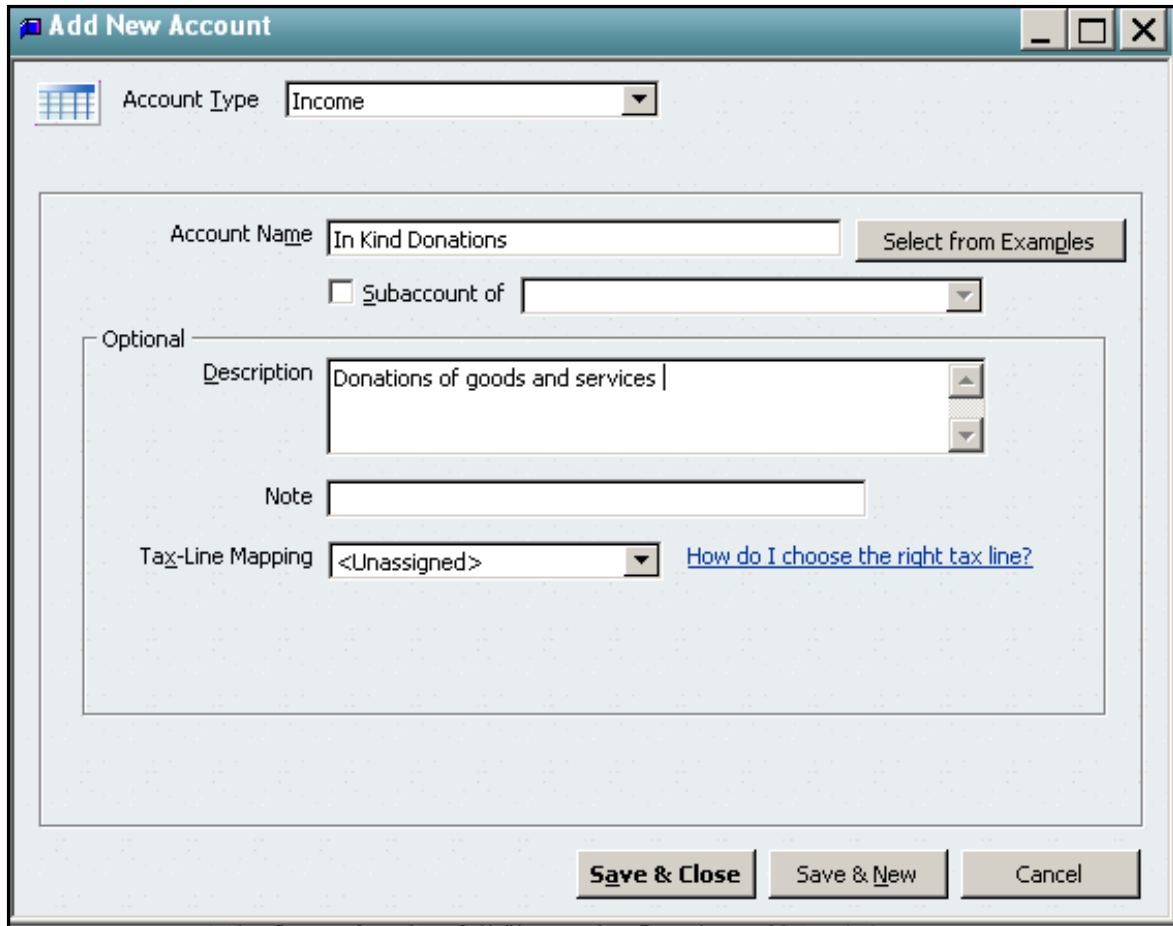
While non-profits are not designed to make money, they are still businesses – albeit with different bookkeeping needs than their profit-making counterparts. Some of the bookkeeping issues that non-profits need to address through QuickBooks are how to track in-kind contributions and volunteer hours, how to reflect restricted funds as income and how to record capital campaign inflows and outflows. While these issues are easier to keep track of financials for with the non-profit version of QuickBooks, they can also be handled with QuickBooks Pro.

Tracking In-Kind Contributions

Charities are frequent recipients of trades for goods and services. Many times donors will also purchase items on behalf of a non-profit in lieu of giving them cash. Both types of in-kind contributions need to be accounted for at the retail value of the gift. “Non-profits can only record goods or services that they otherwise would have bought if not donated,” cautions Gow.

In-kind contributions can be handled in QuickBooks Pro by adding a new income account called “In-Kind Donations.”

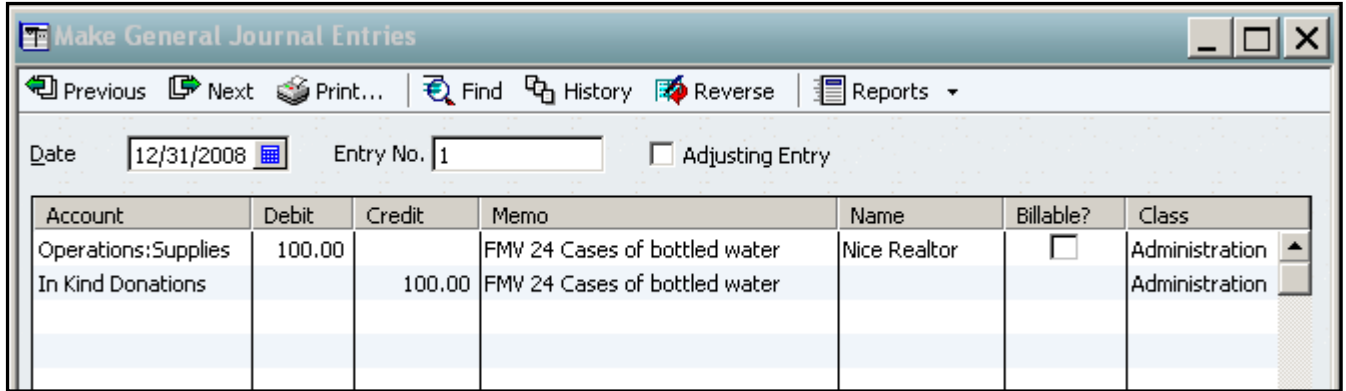
Add a New Income Account



The next step is a Journal Entry. The account drop down list is used to choose the appropriate account for the item as if it was actually purchased. For example, GrowthForce client The Village Learning & Achievement Center received a donation of entertainment equipment for its group home. The family making the donation provided VLAC with the purchase receipt. That amount was then reflected in the Journal Entry:

Group home furnishings and equipment Cost	\$1295.00
In Kind Donations	\$1295.00

If a receipt is not provided, then the fair market value must be entered in the debit column, along with the name of the donor and the appropriate class. On the second line, the account drop down list is used to choose “In-Kind Contribution” and the same value of the contributed item is entered in the credit column.



Matching Grants

Many corporations and foundations will match the funds donated by their employees or their subsidiaries. Non-profits need to keep track of these donations to be able to apply for matching funds.

To account for matching funds in QuickBooks Pro, sales forms must be customized by renaming "Ship Via" to "Match For."

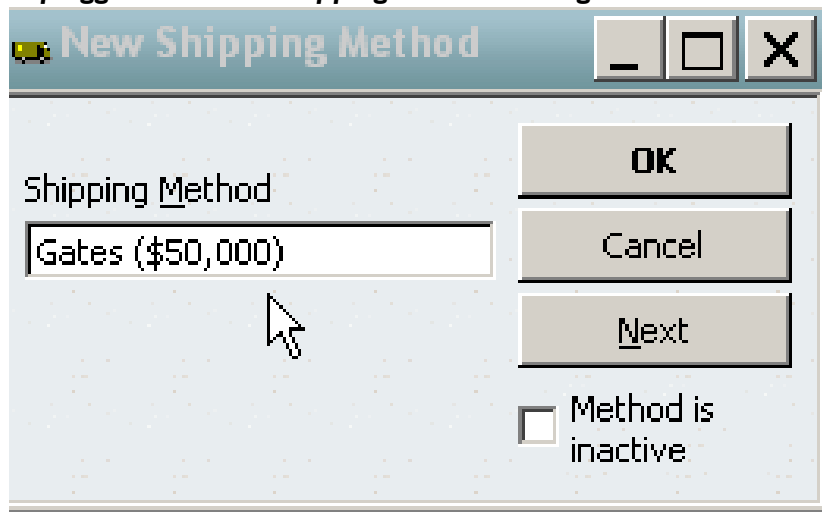
Additional Customization

Selected Template: **Matching Contributions** Template is inactive

Header | Columns | Footer | Print

	Screen	Print	Title
Default Title	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Sales Receipt
Date	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Date
Sale Number	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Sale No.
Sold To	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Sold To
Ship To	<input type="checkbox"/>	<input type="checkbox"/>	Ship To
Check Number	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Check No.
Payment Method	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Payment Method
Due Date	<input type="checkbox"/>	<input type="checkbox"/>	Due Date
REP	<input type="checkbox"/>	<input type="checkbox"/>	Rep
Account Number	<input type="checkbox"/>	<input type="checkbox"/>	Account #
Ship Date	<input type="checkbox"/>	<input type="checkbox"/>	Ship Date
Ship Via	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Match For
FOB	<input type="checkbox"/>	<input type="checkbox"/>	FOB
Project/Job	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Project
Other	<input type="checkbox"/>	<input type="checkbox"/>	Other

Then the grant name must be plugged in under "Shipping Method" along with the amount



needed for matching funds.

When the donation is recorded using the proper sales form, the P & L report can be filtered by "Shipping Method" to provide a Matching Grants P & L. The report can be memorized in QuickBooks for quick access. The P & L Net Income line is the amount that the non-profit can apply for matching funds.

Nonprofit Dummy			
Matching Grants 2008			
January through December 2008			
	◇ <u>Gates (\$50,000)</u> ◇	◇ <u>No shipping method</u> ◇	<u>TOTAL</u> ◇
Ordinary Income/Expense			
Income			
Direct Public Support	10,000.00	0.00	10,000.00
In Kind Donations ▶	<u>0.00</u> ◀	<u>100.00</u>	<u>100.00</u>
Total Income	10,000.00	100.00	10,100.00
Expense			
Operations	<u>0.00</u>	<u>100.00</u>	<u>100.00</u>
Total Expense	<u>0.00</u>	<u>100.00</u>	<u>100.00</u>
Net Ordinary Income	<u>10,000.00</u>	<u>0.00</u>	<u>10,000.00</u>
Net Income	<u>10,000.00</u>	<u>0.00</u>	<u>10,000.00</u>

Restricted Funds

Restricted funds, where a grant restricts a donation only for a specific purpose, is another common bookkeeping practice for non-profits. There are two scenarios: the grantor gives the funds, then requests a detailed report on how the money was spent or the grant is given only after the money is spent and a reimbursement is requested.

QuickBooks tracking and procedures are the same in either case. In QuickBooks Pro, restricted grants should be set up as a "Customer Type." Then the grantor is set up as a customer with a "Restricted Grant" type in the customer type field.

Add Restricted Grants as a “Customer Type”

The screenshot shows the 'New Customer Type' dialog box. The 'Customer Type' field contains 'Restricted Grants'. Below it, there is a 'Subtype of' checkbox which is unchecked, followed by a dropdown menu. To the right of these fields are three buttons: 'OK', 'Cancel', and 'Next'. At the bottom right, there is a 'Customer type is inactive' checkbox, which is also unchecked.

Set up grantor as a customer with a restricted grant as the “Customer Type”

The screenshot shows the 'New Customer' form. The 'Customer Name' field is filled with 'We Love Kids Foundation'. The 'Opening Balance' field is empty, and the 'as of' date is '02/24/2009'. There is a link that says 'How do I determine the opening balance?'. Below the form, there are four tabs: 'Address Info', 'Additional Info', 'Payment Info', and 'Job Info'. The 'Additional Info' tab is selected. Under this tab, there is a 'Categorizing and Defaults' section with a 'Type' dropdown menu set to 'Restricted Grants' and a 'Price Level' dropdown menu.

“By setting up QuickBooks correctly with a non-profit’s needs in mind, it simplifies the audit work,” explains Jennifer Brown, GrowthForce senior associate. “For example, non-profits must be able to track the release of restricted assets versus unrestricted.”

A recent example is when The Village Learning & Achievement Center (VLAC) received a \$150,000 grant from the Houston Endowment Fund. The donation was restricted to the purchase of land. Houston Endowment requires VLAC to provide a report of how the money was spent.

“In the past we couldn’t tell how much we had left in restricted accounts,” says Judy Moist, VLAC finance manager. “So, GrowthForce revamped all the books and set up a whole new system so the information is readily available when we need to write reports.”

In QuickBooks Pro, a Restricted Funds P & L can be obtained when filtered by customer type. The report reflects the funds received and how they were disbursed. A loss shows the amount of funds to submit for reimbursement for that type of grant. The summary report also shows the total Restricted Funds received, the amounts spent and the balance in Restricted Funds that should go on the balance sheet.

		Nonprofit Dummy Restricted Funds 2008			
		January through December 2008			
		◊ Do Good Founda...	United Way	◊ We Love Kids Fo...	◊ TOTAL ◊
Ordinary Income/Expense					
Income					
	Indirect Public Support	<u>25,000.00</u>	<u>2,450.00</u>	<u>7,000.00</u>	<u>34,450.00</u>
	Total Income	▶ 25,000.00 ◀	2,450.00	7,000.00	34,450.00
Expense					
	Contract Services	4,700.00	1,200.00	2,800.00	8,700.00
	Facilities and Equipment	750.00	750.00	0.00	1,500.00
	Operations	0.00	500.00	500.00	1,000.00
	Payroll Expenses	<u>0.00</u>	<u>0.00</u>	<u>4,200.00</u>	<u>4,200.00</u>
	Total Expense	<u>5,450.00</u>	<u>2,450.00</u>	<u>7,500.00</u>	<u>15,400.00</u>
	Net Ordinary Income	<u>19,550.00</u>	<u>0.00</u>	<u>-500.00</u>	<u>19,050.00</u>
	Net Income	<u><u>19,550.00</u></u>	<u><u>0.00</u></u>	<u><u>-500.00</u></u>	<u><u>19,050.00</u></u>

Capital Campaigns

Capital campaign is the term which typically applies to all types of non-profits that are undertaking fundraising for a building – either new or an expansion. The non-profit tracks all of the donations on the P&L as income and all of the expenses as negative income, so that the balance is the net in the capital campaign fund. If the campaign lasts more than a year, the non-profit needs to make adjusting entries to the balance sheet at the end of the year.

Here is the strategy for tracking of capital campaign contributions and expenditures that should be followed when using QuickBooks Pro.

- Set up Class – Capital Campaign or Designated project
- Set up Accounts – Other income accounts named Capital Campaign Income and Capital Campaign Expense with appropriate sub-accounts
- Setup Items – point to Other Income accounts
- Recording Pledges – Customize invoice form, use class and appropriate items
- Recording Contributions – Customize sales receipt, use class and appropriate items
- Recording Expenses – Enter bills or Write checks using Capital Campaign Expense account
- Year End Adjustment – Create a new Fixed Asset Account for the capital asset; create a new Other Income account (Capitalized Costs) as a sub account of “Capital Campaign Expense”; make a journal entry to transfer costs to asset account

Reporting Volunteer Hours

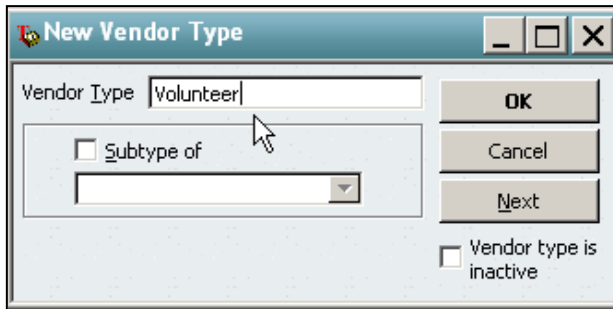
Not all charities go to the trouble of tracking their volunteer hours. But volunteer services are often bartered for tuition, in the case of a school, or paid for by corporations when their employees volunteer their time. In addition some granting agencies want to know the number of volunteer hours that have

been used in executing the programs of the charity. So in these situations, recording volunteer hours becomes an important task. VLAC, for example, trades an attorney's time for tuition. The time shows up as an expense on the P & L as if the services were purchased.

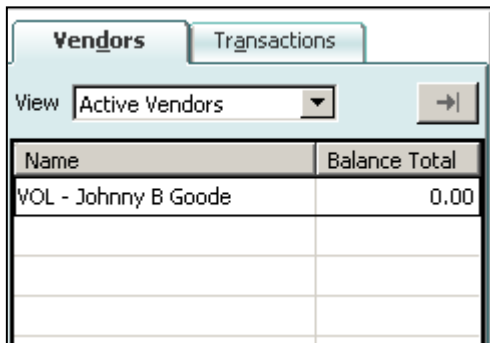
To follow proper accounting procedures, volunteer service should be treated as a Vendor and the labor value should be reflected in a Journal Entry as discussed under In-Kind Contributions.

Follow these steps to track volunteer time in QuickBooks Pro:

Create a "Vendor Type" for volunteers



Add name to "Vendors" list



Create service items

New Item

Type: Service (Use for services you charge for or purchase, like specialized labor, consulting hours, or professional fees.)

Item Name/Number: VOL - Fundraising (Subitem of:)

Unit of Measure: Enable...

This service is used in assemblies or is performed by a subcontractor or partner

Item is inactive

Description: (Empty field) Rate: 0.00 Account: SE - INFO ONLY

[How can I set rates by customers or employees?](#)

Buttons: OK, Cancel, Next, Custom Fields, Spelling

Enter time through weekly timesheet

Time/Enter Single Activity

Navigation: Previous, Next, Spelling, Timesheet, Learn about Online Timesheets...

Date: 12/29/2008

Name: VOL - Johnny B Goode

Customer: Job: (Empty)

Service Item: VOL - Fundraising

Class: Administration

Duration: 3.25 (Start, Stop, Pause buttons)

Notes: Stuffed envelopes for year end statements

Not Billed Billable

Buttons: Save & Close, Save & New, Clear

Create a Volunteer Time report

12:54 PM
02/24/09

Nonprofit Dummy
Time by Name
January through December 2008
◊ Jan - Dec 08 ◊

VOL - Johnny B Goode	3:15
VOL - Little Miss Sunshine ▶	10:00 ◀
TOTAL	<u>13:15</u>

Board Reporting

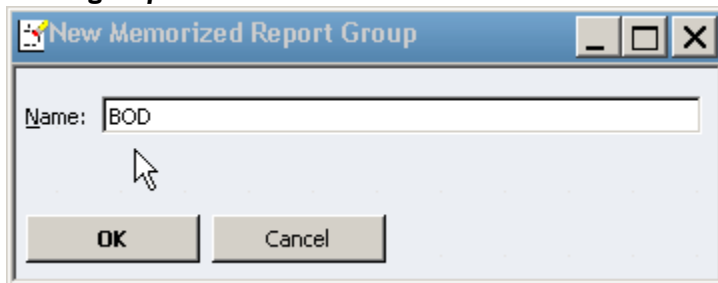
Both QuickBooks Pro and non-profit editions can provide memorized reports for non-profits' board of directors. "GrowthForce provides monthly reports to our board of directors and finance committee," states VLAC Finance Manager Moist. "They are invaluable tools for our leadership to use to manage the organization like a true business."

Some of the most common management reports that are provided to board of directors (BOD) and executive directors (ED) are:

- | | |
|--|--------|
| 1. Budget vs. Actual for month and YTD | BOD |
| 2. Income & Expense by program | BOD/ED |
| 3. Income & Expense by Month | BOD |
| 4. Statement of Financial Position | BOD |
| 5. Pledges Outstanding | BOD/ED |
| 6. Bills Payable | BOD/ED |
| 7. Disbursements/Month | BOD/ED |

Follow these steps to create a memorized report group in QuickBooks Pro for each reporting entity:

Add a group



Pull up standard reports but add columns, filter by "Class," "Customer Type" and "Vendor Type," and "Shipping Method" as necessary.

Profit & Loss Budget Performance

Modify Report... Memorize... Print... E-mail Export... Hide Header Expand Refresh

Dates: This Month From 12/01/2012 To 12/31/2012 Columns: Total only Sort By: Default

We Care Community Foundation Profit & Loss Budget Performance December 2012

Accrual Basis

	Dec 12	Budget	Jan - Dec 12	YTD Budget	Annual Budget
Income					
4 · Contributed support	(1,000.00)	11,250.00	1,022,700.00	989,000.00	989,000.00
5 · Earned revenues	1,100.00	9,666.66	131,426.55	116,000.00	116,000.00
5800 · Special events	0.00	0.00	30,000.00	29,000.00	29,000.00
6900 · Assets released fr restrictions	0.00	0.00	0.00	0.00	0.00
Total Income	100.00	20,916.66	1,184,126.55	1,134,000.00	1,134,000.00
Expense					
7000 · Grant & contract expense	5,000.00	416.67	5,000.00	5,000.00	5,000.00
7200 · Salaries & related expenses	0.00	23,583.34	255,530.00	287,019.00	287,019.00
7500 · Other personnel expenses	0.00	3,566.67	38,700.00	43,300.00	43,300.00
8100 · Non-personnel expenses	7,669.60	6,516.65	87,116.82	80,380.00	80,380.00
8200 · Occupancy expenses	3,150.00	4,399.99	55,556.81	53,700.00	53,700.00
8300 · Travel & meetings expenses	0.00	116.67	4,538.00	3,900.00	3,900.00
8400 · Depreciation & amortization exp	0.00	691.65	3,850.00	8,400.00	8,400.00
8500 · Misc expenses	95.00	408.33	6,400.00	5,000.00	5,000.00
8600 · Business expenses	150.00	0.00	150.00	0.00	0.00
Total Expense	16,064.60	39,699.97	456,841.63	486,699.00	486,699.00
Net Ordinary Income	(15,964.60)	(18,783.31)	727,284.92	647,301.00	647,301.00
Other Income/Expense					
Other Income					
6800 · Unrealized gain (loss)	0.00	0.00	(500.00)	0.00	0.00
Total Other Income	0.00	0.00	(500.00)	0.00	0.00
Other Expense					
9800 · Fixed asset purchases	0.00	6,666.67	0.00	80,000.00	80,000.00
9920 · Additions to reserves	0.00	(2,500.00)	0.00	0.00	0.00
9930 · Program admin allocations	0.00	(98.42)	0.00	0.00	0.00
Total Other Expense	0.00	4,068.25	0.00	80,000.00	80,000.00
Net Other Income	0.00	(4,068.25)	(500.00)	(80,000.00)	(80,000.00)
Net Income	(15,964.60)	(22,851.56)	726,784.92	567,301.00	567,301.00

Memorize the report and save in Memorized Report Group:

Memorize Report [X]

Name: Profit & Loss Budget Performance

Save in Memorized Report Group: BOD

OK Cancel

Run report group when necessary:

Process Multiple Reports [X]

Select Memorized Reports From

Choose the reports to process, then press Display or Print.

✓	Report	Date Range	From	To
✓	Cash disbursements for Month	Custom	11/01/2012	11/30/2012
✓	Pledges Receivable	Today	12/15/2012	12/15/2012
✓	Profit & Loss Budget Performance	This Month	12/01/2012	12/31/2012
✓	Profit & Loss by Program	This Fiscal Year-to-date	01/01/2012	12/15/2012

Summary

No matter whether a non-profit works with QuickBooks Pro or QuickBooks Premier for Non-Profits, an bookkeeping system can be designed with the unique terminology of non-profit businesses. This simplifies the bookkeeping process across the entire organization.

If you would like more information on how we can help you design QuickBooks Pro to suit a non-profit bookkeeping system, contact info@growthforce.com or 281-358-2007. GrowthForce would be happy to review your current processes and make recommendations or provide outsourced services to improve your non-profit business' bookkeeping system.



For More Information
Please email info@growthforce.com or call 281-358-2007.