

QuickBooks® for Nonprofits

A helpful how-to whitepaper for properly setting up QuickBooks to meet specific nonprofit accounting and reporting needs.

Nonprofit organizations are businesses with a language and bookkeeping and financial needs all their own. When it comes to bookkeeping for nonprofits, the buzzwords are donations instead of sales receipts, donors instead of customers, and volunteer hours instead of vendors.

QuickBooks has the Premier Nonprofit edition, which utilizes the nomenclature of not-for-profit businesses. However, nonprofits 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 nonprofit and profit-seeking businesses alike - as long as they are designed properly.

Myths vs. Reality

Nonprofits must use software and accounting systems specifically designed for nonprofits.

While the marketplace for nonprofit solutions is still limited in comparison to the robust options available to businesses, King reports that there are options for overcoming nonprofit financial management challenges without breaking the bank.

Nonprofit organizations are essentially businesses with a unique set of financial needs and speak a distinct accounting language. Instead of talking about sales receipts, nonprofits speak of donations; instead of customers, they have donors, and instead of vendors, nonprofits have volunteer hours.

While QuickBooks has designed its Premier Nonprofit edition with these considerations in mind, nonprofits don't need to purchase this more expensive, special edition to follow proper accounting procedures. The standard versions of QuickBooks work just fine for nonprofit and profit-seeking businesses alike, as long as they are designed properly.

"All of the functionality a nonprofit needs exists in QuickBooks Pro," states Marsha Gibb, GrowthForce Onboarding Manager and Advanced Certified QuickBooks ProAdvisor. "They just need to know how to use it."

Nonprofits can covert their unique needs into the business language used by the standard QuickBooks Pro. For example, "Set-up Budgets" in the nonprofit 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 holds true for reports. The QuickBooks Nonprofit Edition does not have better reporting capabilities - it just uses different names for the same reports:

QuickBooks Premier –Nonprofit Edition Reports	QuickBooks Pro Reports
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	Statement of Functional Expenses (990) Profit & Loss by Class

Multiple users of QuickBooks must all use the same version.

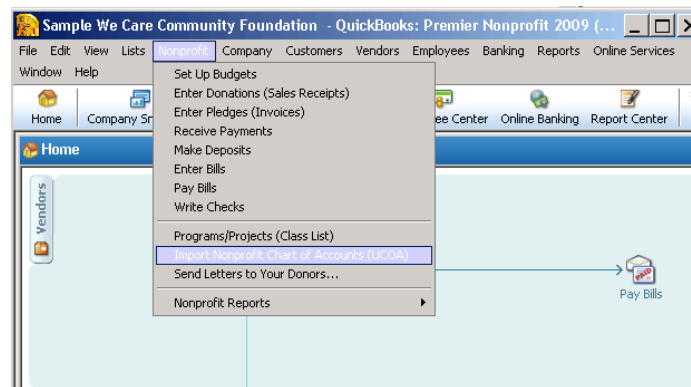
Another myth is that multiple users of QuickBooks must all use the same version.

Not so. QuickBooks Pro and the QuickBooks For Nonprofit edition can be used jointly on the same network. “We recommend that our nonprofit clients use Premier Nonprofit for the development department and Pro for everyone else in the organization,” explains Gibb.

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

One benefit of using QuickBooks Nonprofit edition that may justify purchasing the specialized software is the explanation section under the Uniform Chart of Accounts. This section is very detailed and uses nonprofit specific terms, ensuring proper use of accounts. Here is how the explanation section is set up in the nonprofit version:

Allows importing of Nonprofit Chart of Accounts



Explanations help ensure proper use of accounts

Account Type: Income Number: 43480

Account Name: Volunteer Services - Non-GAAP

☒ Subaccount of: 43400 - Direct Public Support

Optional

Description: Donated services that do not meet GAAP rules - volunteer, non-professional services

Note:

Tag-Line Mapping: <Unassigned> [How do I choose the right tax line?](#)

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

Unlike corporations, a nonprofit exists to serve a mission, yet it must conduct itself much like a for-profit business if it is to stay funded and afloat. Nonprofits must manage their money more stringently than for-profit entities, and therefore their bookkeeping needs are more complex than their profit-making counterparts. Some of the bookkeeping issues that nonprofits need to address through QuickBooks include 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 somewhat easier to track with QuickBooks for Nonprofits, they can also be handled with some modifications inside of QuickBooks Pro.

Tracking In-Kind Contributions

In addition to monetary donations, charities frequently receive trades for goods and services. Donors may also purchase items on behalf of a nonprofit in lieu of giving them cash. In the previous examples, both types of in-kind contributions would need to be accounted for at the retail value of the gift. Gibb cautions, however, "Nonprofits can only record goods or services that they otherwise would have bought if not donated."

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 screenshot shows the 'Add New Account' window in QuickBooks Pro. The 'Account Type' is set to 'Income'. The 'Account Name' is 'In Kind Donations'. There is a 'Select from Examples' button next to the account name. Below the account name is a checkbox for 'Subaccount of' followed by a dropdown menu. The 'Optional' section contains a 'Description' field with 'Donations of goods and services', a 'Note' field, and a 'Tag-Line Mapping' dropdown set to '<Unassigned>'. A link 'How do I choose the right tax line?' is next to the Tag-Line Mapping dropdown. At the bottom are three buttons: 'Save & Close', 'Save & New', and 'Cancel'.

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 (VLAC) 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

In cases where a receipt is not provided, 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.

Account	Debit	Credit	Memo	Name	Billable?	Class
Operations:Supplies	100.00		FMV 24 Cases of bottled water	Nice Realtor	<input type="checkbox"/>	Administration
In Kind Donations		100.00	FMV 24 Cases of bottled water			Administration

Matching Grants

Many corporations and foundations will match the funds donated by their employees or their subsidiaries. Nonprofits 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.”

	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 entered under "Shipping Method," along with the amount needed for matching funds.

The screenshot shows a 'New Shipping Method' window. The 'Shipping Method' text box contains 'Gates (\$50,000)'. To the right are three buttons: 'OK', 'Cancel', and 'Next'. Below these buttons is a checkbox labeled 'Method is inactive' which is currently unchecked.

When the donation is recorded using the proper sales form, the Profit and Loss (P & L) report can be filtered by "Shipping Method" to provide a Matching Grants P & L. Then, the report can be memorized in QuickBooks for quick access. In the following example, the P & L Net Income line is the amount that the Nonprofit can apply for matching funds.

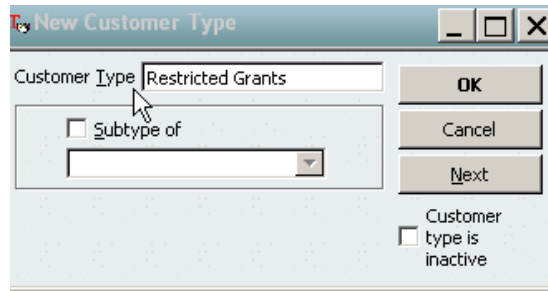
My Nonprofit Matching Grants 2015 January through December 2015			
	◊ Gates (\$50,000)	◊ No shipping method	◊ TOTAL
Ordinary Income/Expense			
Income			
Direct Public Support	10,000.00	0.00	10,000.00
In Kind Donations ▶	0.00 ◀	100.00	100.00
Total Income	10,000.00	100.00	10,100.00
Expense			
Operations	0.00	100.00	100.00
Total Expense	0.00	100.00	100.00
Net Ordinary Income	10,000.00	0.00	10,000.00
Net Income	<u>10,000.00</u>	<u>0.00</u>	<u>10,000.00</u>

Restricted Funds

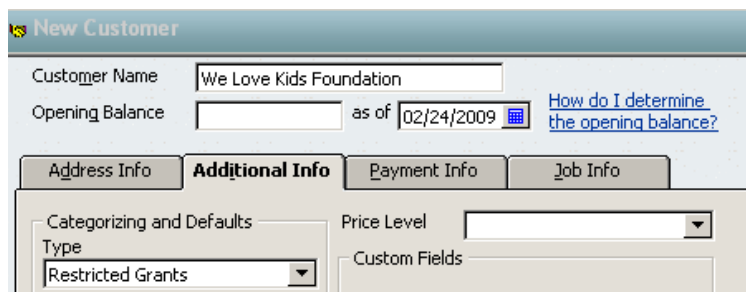
Another common bookkeeping practice for nonprofits is the management of restricted funding. A restricted fund is one in which a grant's donation is limited to a specific purpose. One example is when a grantor donates the funds and then requests a detailed report on how the money was spent. Another case is when the grant is given only after the money is spent and a reimbursement is requested.

In either case, QuickBooks tracking and procedures are the same. 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”



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



“When a nonprofit’s QuickBooks file is set up with their needs in mind, it makes the information more accessible and serves to simplify the audit work,” explains GrowthForce Accounting Manager Jennifer Brown. “For instance, nonprofits must be able to track the release of restricted assets versus unrestricted.”

An 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 required the VLAC to provide a report on how the money was spent.

“In the past, we couldn’t tell how much we had left in restricted accounts,” shared VLAC CEO Kim Brusatori.

“GrowthForce revamped all the books and set up a whole new system for us. Now, the information is readily available when we need to write reports, prepare for a board meeting or submit a grant request.”

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.

My Nonprofit Restricted Funds 2015 January through December 2015				
cash basis				
	◊ Do Good Founda...	United Way	◊ We Love Kids Fo...	TOTAL ◊
Ordinary Income/Expense				
Income				
Indirect Public Support	25,000.00	2,450.00	7,000.00	34,450.00
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	0.00	0.00	4,200.00	4,200.00
Total Expense	5,450.00	2,450.00	7,500.00	15,400.00
Net Ordinary Income	19,550.00	0.00	-500.00	19,050.00
Net Income	19,550.00	0.00	-500.00	19,050.00

Capital Campaigns

When a nonprofit launches a capital campaign to raise funds for a new building or expansion, the agency tracks the donations on the P&L as income and expenses as negative income so the balance is the net in the capital campaign fund. If the campaign lasts more than a year, the nonprofit must make adjusting entries to the balance sheet at the end of the year.

When using QuickBooks Pro, use the following strategy to keep track of capital campaign contributions and expenditures:

- 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.

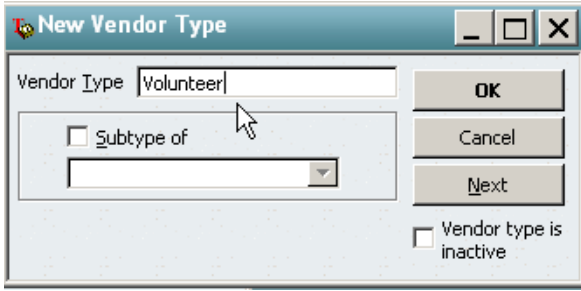
Reporting Volunteer Hours

While not all charities have a system in place to track volunteer hours, in many cases, volunteer services may have a payoff for either the charity, the volunteer or both. For example, some schools offset tuition based on volunteer hours, and some corporations match funds based on their employees’ volunteer 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. In each of these scenarios, tracking 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.

When using QuickBooks Pro, follow these steps to track volunteer hours:

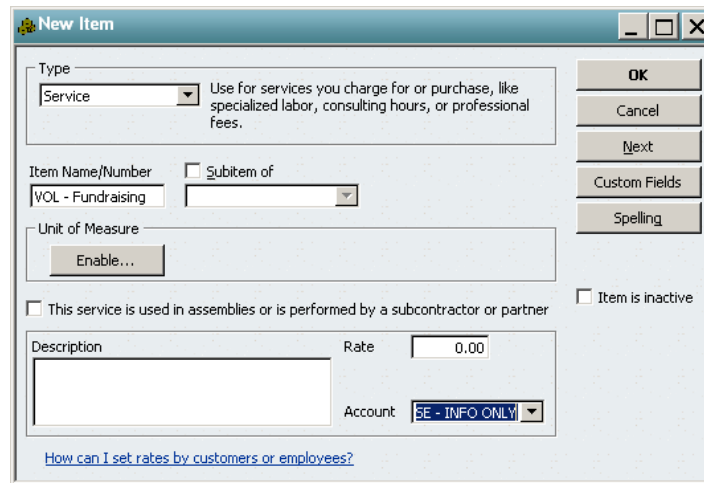
Create a “Vendor Type” for volunteers



Add name to “Vendors” list

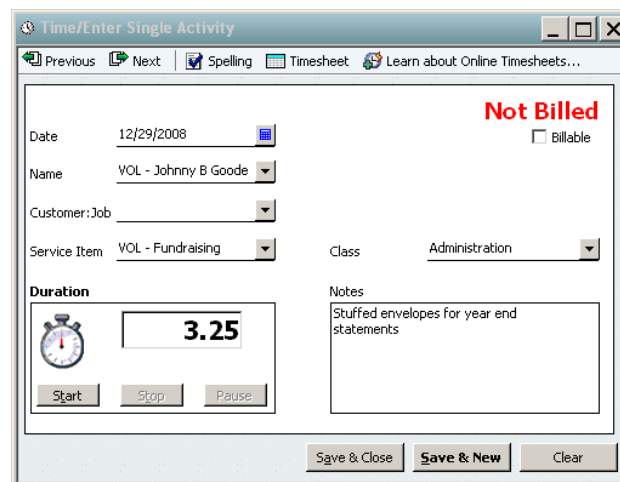
Vendors	
Transactions	
View: Active Vendors	
Name	Balance Total
VOL - Johnny B Goode	0.00

Create service items



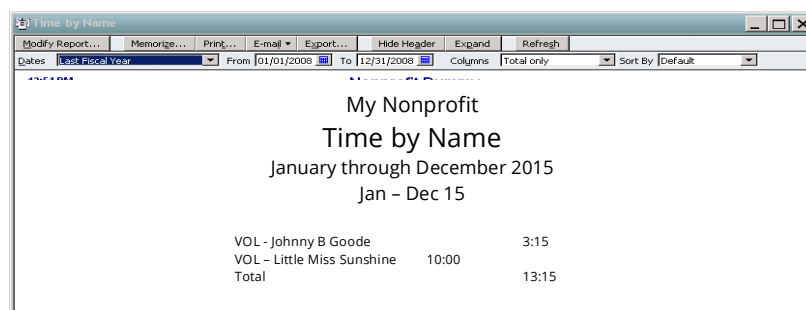
The 'New Item' dialog box is used to create a new service item. It includes fields for Type (Service), Item Name/Number (VOL - Fundraising), Unit of Measure, Description, Rate (0.00), and Account (EE - INFO ONLY). There are also checkboxes for 'Subitem of', 'Item is inactive', and 'This service is used in assemblies or is performed by a subcontractor or partner'. Buttons for OK, Cancel, Next, Custom Fields, and Spelling are on the right.

Enter time through weekly timesheet



The 'Time/Enter Single Activity' dialog box is used to enter time for a specific activity. It includes fields for Date (12/29/2008), Name (VOL - Johnny B Goode), Customer:Job, Service Item (VOL - Fundraising), Class (Administration), and Duration (3.25). There are also checkboxes for 'Billed' and 'Not Billed', and a 'Notes' field. Buttons for Start, Stop, Pause, Save & Close, Save & New, and Clear are at the bottom.

Create a Volunteer Time Report



The 'Time by Name' report shows a summary of volunteer time for a nonprofit organization. The report is titled 'My Nonprofit Time by Name January through December 2015 Jan - Dec 15'. It lists the names of the volunteers and their total time.

Name	Time
VOL - Johnny B Goode	3:15
VOL - Little Miss Sunshine	10:00
Total	13:15

Board Reporting

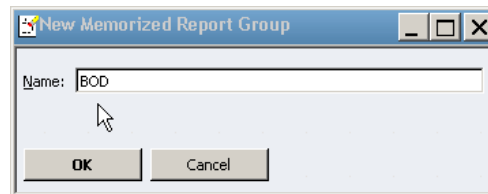
Both QuickBooks Pro and non-profit editions can provide memorized reports for non-profits' board of directors. "GrowthForce provides monthly reports to our board of directors and finance committee," states VLAC Finance Manager Moist. "They are invaluable tools for our leadership to use to manage the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

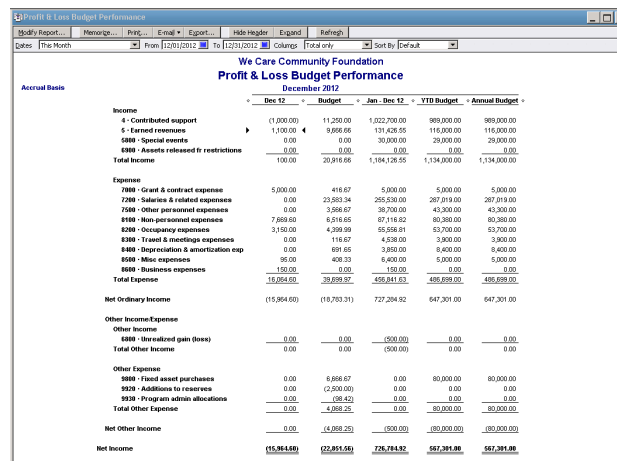
1. Budget vs. Actual for month and YTD BOD
2. Income & Expense by program BOD/ED
3. Income & Expense by Month BOD
4. Statement of Financial Position BOD
5. Pledges Outstanding BOD/ED
6. Bills Payable BOD/ED
7. Disbursements/Month BOD/ED

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

Add a group

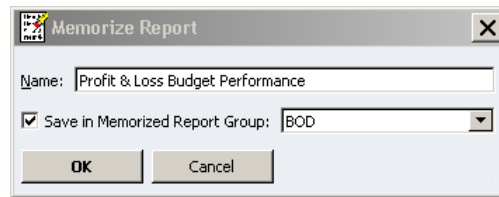


Pull up standard reports but add columns, filter by "Class," "Customer Type," and "Vendor Type," and "Shipping Method" as necessary.



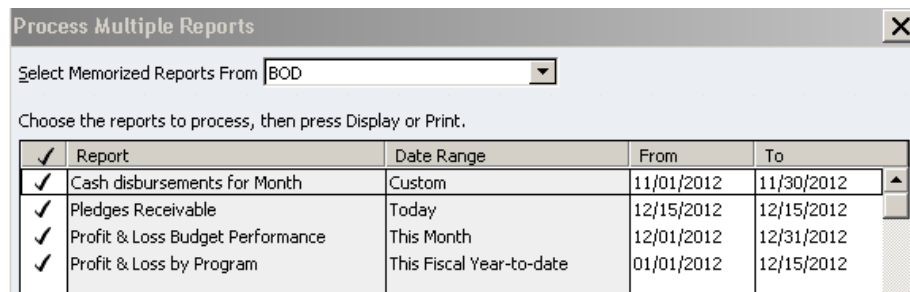
	Dec 12	Budget	Jan - Dec 12	YTD Budget	Annual Budget
Income					
4 - Contributed support	(1,000.00)	11,250.00	1,022,700.00	989,000.00	989,000.00
5 - Earned revenues	1,100.00	9,856.66	121,428.55	116,000.00	116,000.00
5000 - Special events	0.00	0.00	20,000.00	20,000.00	20,000.00
6000 - Assets released fr restrictions	0.00	0.00	0.00	0.00	0.00
Total Income	100.00	20,216.66	1,144,128.55	1,134,000.00	1,134,000.00
Expenses					
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	267,019.00	267,019.00
7500 - Other personnel expenses	0.00	3,556.67	38,700.00	43,300.00	43,300.00
8100 - Non-personnel expenses	7,666.60	6,516.65	67,114.62	80,300.00	80,300.00
8200 - Occupancy expenses	3,150.00	4,399.99	65,958.81	53,700.00	53,700.00
8300 - Travel & meetings expenses	0.00	116.67	4,338.00	3,900.00	3,900.00
8400 - Depreciation & amortization exp	0.00	691.66	3,860.00	8,400.00	8,400.00
8500 - Misc expenses	96.00	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	15,052.60	39,699.97	456,841.83	486,699.00	486,699.00
Net Ordinary Income	(15,952.60)	(19,703.31)	727,286.72	647,301.00	647,301.00
Other Income/Expense					
Other Income					
8800 - 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					
9100 - Fixed asset purchases	0.00	6,666.67	0.00	80,000.00	80,000.00
9200 - Additions to reserves	0.00	(2,000.00)	0.00	0.00	0.00
9300 - Program admin allocations	0.00	(38.33)	0.00	0.00	0.00
Total Other Expense	0.00	4,638.34	0.00	80,000.00	80,000.00
Net Other Income	0.00	(4,638.34)	(500.00)	(80,000.00)	(80,000.00)
Net Income	(15,952.60)	(24,341.65)	726,786.72	567,301.00	567,301.00

Memorize the report and save in Memorized Report Group:



A screenshot of the 'Memorize Report' dialog box. It has a title bar with a close button. Inside, there is a text field for 'Name' containing 'Profit & Loss Budget Performance'. Below it is a checkbox labeled 'Save in Memorized Report Group:' which is checked, followed by a dropdown menu showing 'BOD'. At the bottom are 'OK' and 'Cancel' buttons.

Run report group when necessary:



A screenshot of the 'Process Multiple Reports' dialog box. It has a title bar with a close button. Inside, there is a dropdown menu for 'Select Memorized Reports From' showing 'BOD'. Below it is the instruction 'Choose the reports to process, then press Display or Print.' followed by a table.

✓	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

Whether a nonprofit uses QuickBooks Pro or QuickBooks Premier for Nonprofits, a bookkeeping system can be designed with the unique needs and terminology the agency requires. With thoughtful modifications to the QuickBooks file, the otherwise complicated accounting needs of a nonprofit agency can be achieved for the various roles and purposes throughout the organization.

If you would like more information on how GrowthForce Cloud based Bookkeeping, Management Accounting and Controller Services can help you design QuickBooks Pro to accommodate your nonprofit needs, contact info@growthforce.com or call us at 281-358-2007. GrowthForce would be happy to review your current processes, make recommendations, and share how our outsourced bookkeeping services can improve your nonprofit financial reporting.

Find out how GrowthForce can help your organization put the power in your numbers.
Call today to set up a 20-minute financial management consultation.

growthforce.com
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