

# QuickBooks for Nonprofits

## Benefits and Best Practices for Your Organization



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## **Part One: Introduction to QuickBooks**

### **What is it?**

QuickBooks is an off-the-shelf accounting solution manufactured by Intuit that functions as a database to record transactions, track accounts receivable, track accounts payable, create accounting reports, create financial statements, and much more. QuickBooks provides both cash-basis and accrual-basis double entry accounting and bookkeeping solutions that can fit the needs of almost any small to mid-sized business, including nonprofit organizations.

QuickBooks is one of the most popular bookkeeping and accounting solutions because it is powerful software available at a relatively low-cost. It is designed to be intuitive for individuals with very limited skills, which makes it easy to use for most people. Because it is so common, most bookkeepers, CPAs, and board treasurers probably have experience using QuickBooks. Once the QuickBooks file is set up properly, it's easy to demonstrate and teach organizational staff and volunteers how to use the software.

QuickBooks has been around for years, which has both allowed it to be fine-tuned by Intuit and allowed third parties to develop a vast array of add-on applications to increase the functionality and power of the program.

### **Why is QuickBooks a better solution than paper ledgers, Microsoft Excel, or other accounting programs?**

In addition to its commonness, ease of use, and relatively low cost, QuickBooks can make a nonprofit organization's bookkeeping, accounting, and reporting easier, quicker, and more accurate.

How?

1. QuickBooks builds an organized bookkeeping history for a nonprofit.

QuickBooks has numerous features that allow you to track each organizational element and transaction in as much detail as necessary for internal and external reporting. Intuit has designed online links between QuickBooks software and financial institutions to allow a direct connection or import of all credit card transactions and bank account transactions, which saves

untold amounts of time and expense associated with manual data entry for a nonprofit organization.

With its account registers, customer center, and vendor center, an organization can enter the transactional history of each donor, each grant, each contribution, each organizational expense, and each program. Entering and reconciling every transaction for the organization creates an extensive, thorough, and accurate database and history of all the organization's activities. The automation of transactions and the electronic search features will eliminate hunting through stacks of paper to find information about budgets, checks, grants, or expenses. When entered and used properly, this history and database can help an organization reach its goal to become paperless and give the organization more time and money to focus on missions and programs.

## 2. QuickBooks' bookkeeping history builds a database of useful reports.

The bookkeeping and transaction history built in QuickBooks empowers an organization to run a nearly endless amount of reports for internal management, for grantors, for donors, and for other external reporting. For example, in only a few *seconds*, QuickBooks enables an organization to pull reports such as: the Statement of Activities, the Statement of Functional Expenses, the Statement of Financial Position, Budget to Actual Report, the Organization's Biggest Donors, and even more reports to detail specific donors, grants, and programs. These reports are fully customizable to provide even more useful data that's quickly accessible.

Some of the most powerful and frequently used reports allow nonprofits to compare monthly, quarterly, and annual budgets to actual revenue and expenses, to track expenses for reimbursement grants, and to track the receipt and spending of restricted grants.

All of this consolidated data allows the Board and Executive Director to run the nonprofit organization like a business, so that they will have the information, time, and money to focus on accomplishing their mission of filling needs in the community.

3. The consolidated data and reports in QuickBooks will:
  - a. Make reporting to donors, grantors, the government, and other parties faster and simpler;
  - b. Make the preparation of the organization's 990 easier and more accurate;
  - c. Make audits smoother, quicker, and less stressful;
  - d. Make any organizational transitions easier; and
  - e. Track restricted grants more accurately and easily.

4. QuickBooks helps create better internal controls.

One of the most important steps in the bookkeeping process includes the reconciliation of bank accounts, credit card accounts, and grants. Data entry is prone to mistakes. Reconciliation ensures that an individual entered all transactional data properly, and that each penny can be accounted for. Without reconciliation, the data entry is not checked for accuracy, and it's impossible to truly certify the accuracy of financial information. The reconciliation feature in QuickBooks is simple and thorough so that there is no doubt that all revenue and expenses are entered and reported.

5. QuickBooks simplifies the implementation of Activity-Based Costing.

With the properly structured chart of accounts and the utilization of QuickBooks' unique and innovative "class tracking" feature, nonprofit organizations can simplify the tracking of the costs of programs and supporting activities, allowing for better managerial analysis and easing the burden of external reporting requirements. The IRS requires that nonprofit organizations identify how much money is spent in programs, in management, and in fundraising; many donors, grantors, and other funders desire this information as well. While audited financial statements provide the most accurate version of these cost allocations, QuickBooks allows for activity-based cost allocations throughout the year with the proper implementation and entry of the class-tracking feature, which can be tied to nearly any transaction.

## **Part Two: Which version of QuickBooks should the organization use?**

The main factors in choosing between QuickBooks Online and QuickBooks Desktop for nonprofits boil down to accessibility, pricing, reporting needs, and allocation needs.

The online version is more accessible than the desktop version, allowing for multiple users and access via the internet. This can be important for board members who change or when multiple people need to access the file, which they often do. Online is priced by monthly subscription and the desktop is a one-time fee. It's recommended that you upgrade the desktop software every three years, although it is not required unless you use one of Intuit's integrated services like bank downloads, payroll, or merchant services.

Nonprofits must also pay attention to what reports QuickBooks needs to generate and what allocations must be made. With the constant improvements being made, the online version has a surprising amount of flexibility in creating different allocations and in tracking program, fundraising, and administrative expenses as well as restricted funds. In fact, the online version can offer two levels of allocation now, which is nearly impossible to functionally manage with the desktop version. If organizations have an outside donor management software, such as Wild Apricot or Donor Perfect, the online version can often manage what they need well. However, sometimes the online reporting is not as robust as what some nonprofits need. Evaluating the reporting and allocation needs specific to the organization will likely be the deciding factor between the two QuickBooks platforms.

### **QuickBooks Online**

Intuit recognizes the technological shift towards cloud-based computing and has developed an internet-based version of its QuickBooks software. QuickBooks Online is an entirely different type of structure than any of the desktop editions. Bear in mind that "different" does not necessarily mean that it is inherently better or worse than the desktop version.

The main advantage to QuickBooks Online is its remote accessibility. Since it's based on the Internet, anyone with a user ID can log in from any internet-enabled device from any location. For a nonprofit organization with multiple locations or the need for very inexpensive cloud-based

computing, QuickBooks Online offers an accounting solution for a monthly fee of \$20-\$50 per month. It upgrades automatically and backs up automatically each evening.

QuickBooks Online does not have a specialized nonprofit edition, so the software will use for-profit business terminology and will not have premade industry specific reports. Some accounting professionals claim that the online version is not as powerful or easy to use as other desktop editions. However, the constant improvements from Intuit are continually making it easier to use.

With the online version, an organization has access to using both the “class” feature and the “location” feature to tag transactions with certain allocations. The desktop version does not have both of these layers of allocation. For an organization that wants to track two variables for allocation, the online version may provide an easier solution.

Therefore, QuickBooks online should be considered for organizations that need increased accessibility and allocation needs.

### **QuickBooks Pro Edition**

QuickBooks Pro edition is the most basic and cheapest version of the desktop software. Depending on sales and discounts, the software can retail \$170-\$250. Although it is not specifically designed for nonprofits, it is adaptable to nonprofit functions and has the vast majority of features needed. Unfortunately, Pro does not have any of the nonprofit terminology. For example, rather than “donors” it uses the term “customer.” Rather than “Statement of Activities” it uses “Profit & Loss Statement.”

Pro only keeps a limited archive (usually only the last previous reconciliation) of account reconciliation reports, which means that if an organization ever forgot to save an account reconciliation report, there would be no way to retrieve the report. The lack of archive may cause problems during audits or in solving any transaction problems or mysteries.

Compared to Online, Pro may have more ability to customize certain reports.

## QuickBooks Premier Nonprofit Edition

QuickBooks Premier is the mid-grade version of the desktop software that can range in retail price from \$250-\$500 depending on sales and discounts. Intuit engineered a Premier edition specifically geared to nonprofit organizations, which includes nonprofit terminology, specially named and grouped nonprofit reports, and a more robust set of accounting features than the Pro edition, such as inventory tracking. Premier contains a larger database of reports, including the Balance Sheet by Class (missing from Pro).

Although Premier is the more expensive option, it is the edition best-suited for an organization that decides to use the desktop version. It is more user-friendly, and nearly completely ready out-of-the-box. The slightly higher cost can be tempered by the fact that even though a new edition is released every year, the desktop version only needs to be upgraded every 2 to 3 years. Small budget organizations that do not use any QuickBooks “add-on” features, such as payroll, may be able to stretch the upgrade period longer, even though it’s not recommended.

Ultimately, every nonprofit organization is unique in its mission, programs, and accounting needs. Each individual organization must analyze its set of circumstances and bookkeeping procedures to determine which version is best for them. Your accounting professional should be able to analyze what is needed and make an educated recommendation. Fortunately, Intuit (along with dozens of other software companies) partnered with [www.techsoup.org](http://www.techsoup.org) to offer its software at discounted prices to qualifying nonprofit organizations.

## **Part Three: Setting Up QuickBooks**

### **Set-Up Meeting – Begin with the end in mind**

Each nonprofit organization is unique, so each QuickBooks file needs to be developed to meet the needs of each individual organization. When first creating the QuickBooks file or cleaning up its current structure, it's vital to understand its purpose and place in the organization as well as to identify the needs of the stakeholders in the organization so that you can take advantage of the full potential of QuickBooks.

QuickBooks is a reflection of the entire organization, so it is important to hold a meeting with each part of the organization to review their goals and ensure the reports necessary and most useful to each segment of the organization can be created from the accounting software. Gather together the treasurer, the program managers, the accounting staff, the development director, the executive director, the auditor (if feasible), and other stakeholders who use or need financial information for their role within the organization.

During the meeting, you'll be able to identify how the data entered into QuickBooks needs to be grouped and presented to provide valuable information to all users of the data. Evaluate the nonprofit's mission, its programs, its main sources of revenue, the reports used internally, the reports required externally, the current chart of accounts, the current budget, how accounts receivables are processed, how accounts payable is processed, how each aspect can be improved, and the ideal situation for each part of the organization.

By understanding and communicating the necessary reporting, the accounting staff, treasurer, and/or auditor can create the design, structure, and set-up of the QuickBooks file that best fits the organization as a whole.

### **Chart of Accounts**

The Chart of Accounts is the collection of general classifications or line items to appear on your Statement of Financial Position (Balance Sheet) and Statement of Activities (Profit & Loss).

The National Center for Charitable Statistics has teamed up with several other organizations in the United States to create a Unified Chart of Accounts (UCOA) to ensure that nonprofit organizations have all the necessary accounts to efficiently track nonprofit financials as required by the IRS. The UCOA is thorough yet generic enough for most nonprofit organizations. Downloading their UCOA template from their website is a good place to start building an organization's chart of accounts. QuickBooks Premier Nonprofit Edition will also include a default chart of accounts for nonprofit organizations. No single template will be perfect for a nonprofit organization. Fortunately, QuickBooks makes customizing the chart of accounts easy. As your organization grows, it's also easy to change and manipulate the chart of accounts over time.

Although the chart of accounts can be designed to reflect activities and programs to a certain extent, the class tracking system and customer tracking features of QuickBooks can better be used collectively for activity-based costing.

### Bank Accounts

Set up each bank account separately. Bank accounts can be tied to online banking to make downloading transactions easier for the individual doing the bookkeeping. This can be accessed through the chart of accounts by right-clicking on the bank account and clicking on "Set Up Online Services." Certain banks offer free direct connections; other banks charge monthly service fees.

### Accounts Receivable

Accounts Receivable is automatically generated in a QuickBooks file and will be tied to your invoices. Depending on your funding sources, it may also be advisable to set up a Pledges Receivable, Grants Receivable, and Allowance for Doubtful Accounts as separate accounts receivable accounts.

### Pre-paid Expenses

When using accrual basis accounting, an organization must track any expenses paid "in advance" using an asset account called "pre-paid expenses." The most common prepaid expense

is for insurance policies. For example, if a 12-month insurance policy is paid in full at one time, the cost of the policy should go to pre-paid expense asset account and then expensed over the course of the 12 months of the policy.

### Fixed Assets

Fixed Assets include long-term assets such as land, buildings, leasehold improvements, furniture, vehicles, equipment, and accumulated depreciation. These fixed assets should be set up in conjunction with the organization's treasurer and tax preparer.

### Liability Accounts

Accounts Payable is automatically generated within a QuickBooks file and is tied to the Enter Bills/Pay Bills features. Current and long-term liability accounts allow you to track data such as loans, lines of credit, mortgages, deferred revenues, and other accrued liabilities.

QuickBooks has a special type of liability account for credit cards. Set up each of the organization's credit cards separately. Each credit card can be tied to online banking to make downloading transactions easier. This can be accessed through the chart of accounts by right-clicking on the credit card account and selecting "Set Up Online Services." Certain credit card companies offer free direct connections within QuickBooks; other companies may charge a monthly fee for the service.

### "Equity" Accounts

Nonprofit organizations typically have three types of "equity" accounts: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. QuickBooks does not automatically generate these special nonprofit accounts, even in the QuickBooks Premier Nonprofit Edition, so the accounting professional will need to set up these accounts to meet the organization's needs. Special attention needs to be paid to the temporarily and permanently restricted net assets and how transactions and entries post to those accounts.

## Income Accounts

QuickBooks calls revenue and funding sources “income accounts.” Organizations will need to track their different funding sources through these income accounts, such as direct contributions, revenue from government grants, revenue from non-government grants, program revenues, membership revenues, and special event revenue. Make sure to set up income accounts for donated goods and services as well.

## Cost of Goods Sold and Expense Accounts

The UCOA suggests separating expenses based on personnel expenses and non-personnel expenses and then categorizing the organization’s expenses therein. See Attachment A for the UCOA suggestion.

Depending on the organization, the number of programs, and the internal and external reporting requirements, the organization can decide to set up a cost of goods sold or expense account or account group for each program with sub-accounts for the costs associated with each program. Making program expenses as costs of goods sold accounts and making managerial and fundraising costs as expense accounts will assist in setting up activity-based costing. See Attachment B for an example of this type of chart of accounts.

## **Setting Up Items**

Items within QuickBooks are much more specific than accounts. Items serve two main purposes – to create items on invoices and donation receipts to track detail on funding sources and revenues and to create items that employees and volunteers can use to track and enter their time within QuickBooks. Creating specific items within QuickBooks will streamline the processing of regular funding, such as donations, grants, recurring sponsorships, or special fundraising campaigns.

The easiest way to create your item list is to evaluate your programs as well as your main funding sources and determine which specific income and expenses the organization will need to track through invoices, pledges, grants, and donations. A basic list would include an item for unrestricted grants, temporarily restricted grants, types of program income, and types of

donations (such as individual, corporate, or special events). The specificity of items would be a better method of tracking specific special event income rather than using the Chart of Accounts.

When setting up new items, it's important to map it to the correct account. Items relating to funding sources, grants, and donations need to be mapped to the appropriate income accounts. Any items that are associated with costs or expenses need to be mapped to the appropriate reimbursable expense account or to a collection of costs income account, depending on how the organization tracks reimbursable expenses.

### **Tracking Restricted Grants**

There are several methods for tracking restricted grants within QuickBooks and the best method depends on the QuickBooks file structure created by the organization.

Statement of Financial Accounting Standards No. 116 requires recognition of the temporarily restricted grant revenue when the funds are received or pledged.

For each temporarily restricted grant, create a bank sub-account underneath the bank account in which the grant will be deposited. Note the details of the grant and its restrictions in the description of the account.

When receiving the payment for the grant, make sure that the funds are deposited into the grant's bank sub-account within QuickBooks. Then, write checks, pay bills, and track all expenses through the grant's bank sub-account.

By tracking restricted grants in such a manner, the organization will always know exactly how much money remains under those specific restrictions from those specific grants, and the organization will have a detailed and accurate record of exactly how and when the restricted grant was spent. It will be easy to create reports for the funders of the restricted grants from these sub-accounts.

If the restricted funds will be held by the organization for more than a year, it is best to consult with your accounting professional, tax preparer, or auditor about the journal entries that may need to be made to the temporarily restricted net assets account on the financial statements.

## **Classes and Locations**

The class feature of QuickBooks provides the most power for a nonprofit organization to implement activity-based costing. Setting up and maintaining the appropriate classes for the organization will be the hardest part of creating the QuickBooks file. The class feature in QuickBooks is the most complicated function, which means that a class list should be as simple as possible to avoid unnecessary complications.

Ideally, a class list should be limited to the organization's programs, a management class, and a fundraising class, so that the cost allocations can be easily managed. Classes must be used for every transaction and should be used in combination with accounts and customer/jobs in order to achieve the best reporting and tracking results.

In QuickBooks Online, the location feature can provide a second level of allocation, such as the ability to track transactions associated with different funding restrictions as unrestricted, temporarily restricted, and permanently restricted. Location and class can be used together for more detailed reporting.

## **Part Four: QuickBooks Workflow**

### **Home Screen**

The QuickBooks Home Screen provides a visual simplification of the entire bookkeeping process through the use of shortcuts to each major feature and arrows to show the proper flow of the bookkeeping process. The screen is also divided into the five major bookkeeping parts: vendors, customers (or donors), employees, banking, and general company structure.

### **Vendor Center**

The vendor section allows the organization to track inventory, accounts payable, and sales tax. Although the inventory features in QuickBooks are weak when compared to other software, the Premier Edition's inventory feature can be used if needed by small nonprofits. If a nonprofit organization has inventory, then the sales tax management feature of QuickBooks will likely be very valuable in tracking the liability.

By far, the most valuable vendor center feature for nonprofits will be the Enter Bills and Pay Bills functions. The “Enter Bills” function allows you to keep track of all unpaid bills that will be paid by the organization at a later date using the “Pay Bills” feature, and it will also collect the data for all of your vendors and all the transactions associated with vendors. By using the Enter Bills/Pay Bills function, QuickBooks can generate reports of unpaid bills and accounts payable aging reports.

To enter a bill, select the “Enter Bill” feature from the home screen. Then select the correct vendor and set up the vendor with the correct information if not done so automatically. Then enter the date, reference number, amount due, and bill due date. Create a memo line to add any detail concerning the bill needed to track the transaction history. Then, you will be able to enter more detail about the bill, including splitting the transaction among multiple expense accounts or splitting it between multiple classes in order to allocate the cost based on activity. QuickBooks allows the transaction to be tied to a customer, donor, or job, which can be useful to tie it to a particular grant or program recipient. If there are any discounts or “in-kind” donations given, it’s important to record these to the appropriate in-kind accounts for reporting purposes. Then, save and close if you are done entering bills or save and new if you need to enter multiple bills.

To Pay Bills, select the Pay Bills feature from the home screen. You can then filter the bills by vendor and/or date. You can see which bills and amounts are due by which date and if there are any credits available. Check the box of the bills you want to pay and enter the amount you want to pay if different from the total of the bill. Select the appropriate date, then select “to be printed” if you will print it from QuickBooks, or “assign check number” if you will handwrite the check. Ensure that the proper bank account is selected and then hit “Pay Selected Bills.” If you selected to assign the check number, you will be able to assign the check number from a pop-up screen.

If the organization has a high volume of bills, a long delay in issuing payments to vendors, or only pays small portions of their bills over a period of time, then the Enter Bills/Pay Bills feature can be invaluable in keeping track of accounts payable. If the organization processes payments immediately or uses online bill pay, then the Enter Bills/Pay Bills feature may not be the best

accounts payable management for the organization. Using this feature will also enable the organization to more properly accrue expenses on the right date when using accrual-basis accounting.

Some banks have direct connection features that will issue payments directly from QuickBooks using the “Pay Bills” feature. You can also create and print checks directly from QuickBooks. It’s important to note that anything entered using the “Enter Bills” feature must be paid through the “Pay Bills” feature.

### **Donor (or Customer) Center**

The Donor Center is the hub for all accounts receivable, revenue, and funding source information for the organization. In the donor center, the organization can create a database of information on all donors and keep track of all transactions associated with donors. With the “customer type” and “job type” functions within the donor (customer) center, the organization will be able to distinguish between donors, grantors, and program recipients. QuickBooks also tries to make it easy to send letters to your donors by having letter templates ready and integrated to your donor database.

From the donor center, you’ll be able to create invoices for memberships, invoices for pledges, invoices for events, invoices for program services, and create donation or grant receipts. The invoicing features will provide very detailed tracking of all pledges and accounts receivable through the Accounts Receivable Aging report and the open balance total next to each donor’s name. The “Statements” feature will create gentle reminders and collection letters for pledges or invoices that are past due in order to maximize revenue.

Once invoices have been created, use the “Receive Payments” feature to apply the payments to the invoices. After selecting the appropriate donor or customer, enter the amount of the payment, the date of the payment, and note the payment method, reference number, and memo. Typically, QuickBooks automatically applies the payment to certain invoices or pledges. Make sure that QuickBooks applied the payment to the correct invoices. You can use the “print” function within this feature to create a receipt.

In addition to creating invoices, you can also create “donations” or “sales receipts” for money that you receive immediately or that is already in your possession. The Donation Receipt feature simplifies the accounts receivable process by combining the invoicing and receiving payments features into one. To enter a donation, select the correct donor, add the appropriate date, add the correct payment method, and begin adding items as if creating an invoice. When done, you can print it as a receipt for the donor or customer.

It’s important to note that an organization should always use the “Refunds and Credits” feature to return money to customers or write-off pledges. It will create a negative amount to offset an invoice.

## **Banking Center**

First, the banking center will allow you to process all the received payments and donations through the “Record Deposits” window. All the received payments and donations go to the “Record Deposits” window to be grouped appropriately and deposited to the correct bank account. When making a deposit, select the payments grouped into one deposit. Then, select the correct bank account and date of the deposit. Double check the deposit, make sure to subtract any merchant service fees by expensing them (if applicable), and then save the deposit. The final amount of the deposit should match the amount deposited into the bank. By grouping the deposits correctly, it will match the bank downloads and the bank statement and make reconciliations easier.

Next, the banking center allows you to write checks using the “write checks” feature for payments that are not associated with the “Enter Bills / Pay Bills” feature. By clicking on “write checks,” you can enter the appropriate vendor, enter the date, enter the check number, and the check amount. Then, you will be able to enter detail about the check, including splitting the transaction among multiple expense accounts and splitting it between multiple classes in order to allocate the cost based on activity – just the same as entering a bill as described above. QuickBooks allows the transaction to be tied to a customer, donor, or job, which can be useful to tie it to a particular grant or program recipient.

The "Check Register" feature allows you to evaluate the activity within a bank account as if looking at a bank statement. You will be able to see all the bill payments, the deposits, the checks written, and to which accounts they posted. It is likely easiest to enter debit transactions (or even checks) directly in the check registers if not downloaded from the Internet. You can sort the check registers by different filters such as cleared status, date, reference number, or order entered. Credit card transactions are entered the same way; they are just accessed in the credit card registers from the Chart of Accounts.

The best practice is to enter transactions as they occur, especially checks. Depending on how often bookkeeping is done, there are three options for entering transactions:

1. Enter the transactions off the receipts as you purchase
2. Enter all transactions off the bank statement at the end of the month
3. Download transactions from online banking either daily, weekly, or at end of the month

Choosing the time frame for entering transactions depends your organization's labor and time resources and on internal management's preferences for "real-time data," including which checks remain uncleared and actual account balances versus posted bank balances. If the organization has tight or limited cash flow, entering transactions more frequently could prevent overdrafts and promote smarter spending habits.

## **Transactional Pitfalls**

### Transfers Between Accounts

Record a transfer between accounts in the bank account the money is coming FROM. Make sure the "account" field is the bank account that the money is going TO. By doing this, the transfer will automatically appear as a deposit in the receiving bank account and will appear as a subtraction from the original account. The reconciliation of both bank accounts will be correct. Recording transfers any other way could cause bookkeeping and accounting problems.

### Payments to Credit Cards

Credit cards should be paid from bank accounts. Therefore, think of it as being similar to transfers between bank accounts.

When entering a payment to the credit card, start the transaction in the bank account. The payee would be the credit card company, and the "account" should be the appropriate credit card account in QuickBooks. The payment will lessen the credit card liability and all the individual expenses will be recorded within the credit card register.

## **Reconciliations**

To begin the reconciliation for either a bank account or a credit card account, click "reconcile" on the home screen in the banking center. Select the account to reconcile. Enter the ending date of the statement. Make sure the beginning balance in QuickBooks matches the statement's beginning balance (which should be last month's ending balance). Enter the ending balance and continue.

It's usually a good idea to check the box "Hide transactions after the statement's ending date" so as not to reconcile future transactions or transactions not within the statement period.

Use the bank statement or the credit card statement to match each transaction on the statement with the corresponding transaction in QuickBooks. At the end, the difference in the bottom right corner should be "0," meaning each deposit and expense has been recorded and is matching.

Some common reasons for accounts not to reconcile include: checks that have not cleared, mistakes in entering transaction amounts, missed transactions, and transactions entered into the wrong account.

Reconciliations are important because they ensure that an organization is accurately capturing its income and expenses, especially for reporting purposes. They also force organizations to watch their account activity, monitor revenue and expenses, and create controls to prevent fraud and theft.

## **Part Five: Why is it beneficial to outsource bookkeeping and seek outside professionals?**

Seeking the assistance of professionals from the beginning will help ensure that the QuickBooks file is set up correctly or can be corrected as quickly as possible; as time goes on, it becomes harder to correct any inherent issues. Outside professionals often bring accounting knowledge and FASB (Financial Standards Accounting Board) considerations that others may not know. Outside professionals also bring the experience of working with other nonprofit organizations, which allow them to apply their knowledge and varied perspectives to meeting the unique needs of each organization.

Furthermore, using outside professionals and outsourced bookkeeping services build stronger internal controls and provide a continual resource of accounting and FASB accounting principle knowledge for the organization. It also gives the executive director and staff more time to focus on programs and provides accurate and valuable data to the board of directors. Ultimately, in whatever capacity they are engaged, outsourced accounting professionals can provide more affordable, faster, smarter, and more secure bookkeeping and accounting services to nonprofit organizations.

## Attachment A – Uniform Chart of Accounts – Expenses Only

<b>7</b>	<b><u>Expenses - personnel related</u></b>
7000	Grants, contracts, & direct assistance
7010-***	Contracts - program-related
7020-***	Grants to other organizations
7040-***	Awards & grants - individuals
7050-***	Specific assistance - individuals
7200	Salaries & related expenses:
7210-***	Officers & directors salaries
7220-***	Salaries & wages - other
7230-***	Pension plan contributions
7240-***	Employee benefits - not pension
7250-***	Payroll taxes, etc.
7500	Contract service expenses
7510-***	Fundraising fees
7520-***	Accounting fees
7530-***	Legal fees
7540-***	Professional fees - other
7550-***	Temporary help - contract
7580-***	Donated professional services - GAAP
7590-***	Donated other services - non-GAAP

<b>8</b>	<b><u>Non-personnel related expenses</u></b>
8100	Nonpersonnel expenses:
8110-***	Supplies
8120-***	Donated materials & supplies
8130-***	Telephone & telecommunications
8140-***	Postage & shipping
8150-***	Mailing services
8170-***	Printing & copying
8180-***	Books, subscriptions, references
8190-***	In-house publications
8200	Facility & equipment expenses:
8210-***	Rent, parking, other occupancy
8220-***	Utilities
8230-***	Real estate taxes
8240-***	Personal property taxes
8250-***	Mortgage interest
8260-***	Equipment rental & maintenance
8270-***	Deprec & amort - allowable
8280-***	Deprec & amort - not allowable
8290-***	Donated facilities
8300	Travel & meetings expenses:
8310-***	Travel
8320-***	Conferences, conventions, meetings

8500	Other expenses:
8510-***	Interest-general
8520-***	Insurance - non-employee related
8530-***	Membership dues - organization
8540-***	Staff development
8550-***	List rental
8560-***	Outside computer services
8570-***	Advertising expenses
8600	Business expenses:
8610-***	Bad debt expense
8620-***	Sales taxes
8650-***	Taxes - other
8660-***	Fines, penalties, judgments
8670-***	Organizational (corp) expenses
	Total expenses
<b>9</b>	<b><u>Non-GAAP expenses</u></b>
-	
9800	Fixed asset purchases
9810-***	Capital purchases - land
9820-***	Capital purchases - building
9830-***	Capital purchases - equipment
9840-***	Capital purchases - vehicles
9910-***	Payments to affiliates
9920-***	Additions to reserves
9930-***	Program administration allocations

***-XXX	Activity Code
***-100 to 199	Program department A
***-200 to 299	Program department B
***-500 to 699	M&G department
***-510	M&G department-general
***-520	M&G department-unallowable (A-122)
***-530	Public relations
***-540	Investment management
***-550	Labor relations
***-610	M&G special event production
***-620	M&G special event promotion
***-700 to 899	Fundraising department
***-900 to 999	Cost pools
***-910	Central services cost pool
***-920	Common cost pool by line item
***-930	Common cost pool-other
***-980	Capital/fixed asset purchases pool

## Attachment B – Sample Chart of Accounts

Account	Type
10000 · Suntrust Main - 7796	Bank
10001 · Comm Fdn - Pr 1 06/17/2013	Bank
10002 · Altrusa - Program 2 08/02/13	Bank
10003 · Children's Board - Needs Detail	Bank
10004 · Rays - Program 2 09/17/13	Bank
10005 · LazyDays - Program 3	Bank
10020 · Suntrust Payroll - 7390	Bank
10030 · Wells Fargo 7024	Bank
10900 · Heartland	Bank
11100 · Allowance for Doubtful Accounts	Accounts Receivable
11110 · Accounts Receivable	Accounts Receivable
11200 · Pledges Receivable	Accounts Receivable
11300 · Allowance for Doubtful Pledges	Accounts Receivable
11210 · Pledges Receivables	Other Current Asset
11400 · Grants Receivable	Other Current Asset
12000 · Undeposited Funds	Other Current Asset
12100 · Inventory Asset	Other Current Asset
13110 · Furniture and Equipment	Fixed Asset
13115 · Accumulated Depreciation	Fixed Asset
18600 · Other Assets	Other Asset
20100 · Accounts Payable	Accounts Payable
21000 · Payroll Liabilities	Other Current Liability
22201 · Payroll Employee Withholding	Other Current Liability
22200 · Sales Tax Payable	Other Current Liability
27200 · Other Liabilities	Long Term Liability
30000 · Opening Balance Equity	Equity
31300 · Perm. Restricted Net Assets	Equity
31500 · Temp. Restricted Net Assets	Equity
32000 · Unrestricted Net Assets	Equity
40100 · Contributions	Income
40200 · Special Fundraising and Events	Income
40300 · Grants and Awards	Income
40900 · In Kind Services	Income
42100 · Program 1 Revenue	Income
42101 · Sales Revenue	Income
42102 · Repair Revenue	Income
42103 · Collection of Costs	Income
42104 · Program Admin Income	Income
42120 · Credits/Refunds	Income
43100 · Program 2 Income	Income
43101 · Sales Revenue	Income
43102 · Repair Revenue	Income
43103 · Collection of Costs	Income
43104 · Credit/Refund	Income

50000 · Cost of Goods Sold	Cost of Goods Sold
52000 · Program 1 COGS	Cost of Goods Sold
52001 · Cost 1	Cost of Goods Sold
52002 · Cost 2	Cost of Goods Sold
52500 · Program Administration	Cost of Goods Sold
525001 · Program Contract Labor	Cost of Goods Sold
525002 · Program Postage	Cost of Goods Sold
53000 · Program 2 COGS	Cost of Goods Sold
53001 · Cost 1	Cost of Goods Sold
53002 · Cost 2	Cost of Goods Sold
53010 · Cost 3	Cost of Goods Sold
60100 · Operations	Expense
60200 · Payroll Expenses	Expense
60201 · Director's Salaries	Expense
60202 · Director Benefits	Expense
60210 · Salaries and Wages	Expense
60220 · Payroll Employer Taxes	Expense
60230 · Payroll Processing Fees	Expense
60300 · Fees for Services	Expense
60310 · Accounting	Expense
60320 · Legal	Expense
60330 · Operations Contract Labor	Expense
60331 · Grant Writing	Expense
60340 · Marketing Labor	Expense
60500 · Office Expenses	Expense
60501 · Rent	Expense
60502 · Computer Expense	Expense
60503 · Telephone Expense	Expense
60505 · Office Supplies	Expense
60506 · Printing & Copying	Expense
60507 · Postage	Expense
60550 · Volunteer/Staff Expense	Expense
60510 · Dues and Subscriptions	Expense
60520 · Meals and Entertainment	Expense
60601 · Bank Fees	Expense
60602 · Credit Card Processing Fees	Expense
60603 · Interest Expense	Expense
60650 · Insurance	Expense
60700 · Continuing Education	Expense
60800 · Licenses and Permits	Expense
61000 · Travel Expense	Expense
65000 · Advertising and Promotion	Expense
65001 · Networking	Expense
65002 · Marketing	Expense
65100 · Events	Expense
69990 · Depreciation Expense	Expense
69000 · Write Offs	Other Expense



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call us at 813-279-2752.