

# Nonprofit Accounting Academy

## Implementing a Successful Accounting System Using QuickBooks

### Assess needs and gather information

- Look over most recent form 990 and audited financial statements (if available) to understand the organization's lines of business and operating characteristics.
- Meet with executive director, other interested staff and board members to learn about financial information needs and concerns about current accounting system.
- Consider need to track more than one program area using classes in QuickBooks.
- Consider adequacy of current payroll processing system (in-house or payroll service). Considerations include number of employees, benefits, employees paid from restricted grants and how payroll expenses are recorded.
- Gain understanding of clients, donors and members as applicable and need for tracking and reporting on these various constituents.
- Obtain examples of invoices, event and gift receipts, pledge reminders and other documents to determine items needed on Item List in QuickBooks and QuickBooks data input templates needed.
- Gain understanding of special event reporting needs, if any, and consider design options to produce desired reports.
- Gain understanding of restricted grants in progress or anticipated.
- Inquire about existence of a budget; explore how budget line items correspond to accounts in a new chart of accounts.
- Inquire about use of credit cards and how credit card transactions are currently recorded.
- Assess status of current bookkeeping system: What does the system do well? What is missing or needs improvement?
- Determine if the current accounting system can be modified or if it needs to be replaced with a completely new accounting system.

### Design and create QuickBooks company file

- Select the QuickBooks Kit closest to needs at [nonprofitaccountingacademy.com](http://nonprofitaccountingacademy.com).
- Determine if you have staff or a volunteer who can implement new accounting system using QuickBooks Kit or if you need outside help such as Care Accounting Services.
- Customize the chart of accounts, item list and class list as needed.
- Optional: Using QuickBooks company file customized as per above, create mock-up of new balance sheet, profit & loss and other reports to show how they will look in new system.
- Use customized QuickBooks company file template to either create a new accounting system or as a guide to modifying the current QuickBooks company file.

### **Enter opening balances**

- Enter account balances as of the close of the prior fiscal year, agreeing balances to Form 990 and/or audit if available.
- Enter accounts receivable and/or accounts payable open as of the beginning of the year.
- Set up restricted grants in progress, if any.
- Set up payroll if necessary. (May need outside help such as Care Accounting Services.)

### **Draft bookkeeping documentation**

- Starting with the documentation that accompanies the QuickBooks Kit selected, customize documentation to the organization's procedures.
- Add new sections to documentation for bookkeeping processes unique to the organization.

### **Enter year-to-date activity**

- Enter transactions starting with the beginning of the current fiscal year (summary or detail).
- Link bank and credit card accounts to QuickBooks or establish import method.
- Reconcile bank and credit card accounts through end of prior month.
- Run current year balance sheet and profit & loss reports; ensure numbers are correct.

### **Train staff**

- Show staff how to enter various transactions into QuickBooks.
- Teach staff how to reconcile bank and credit card accounts.

### **Review basic reports and create customized reports**

- Go over profit & loss, balance sheet and other reports with director, staff and/or treasurer.
- Create custom reports in response to new information needs that may be expressed.

### **Refine QuickBooks file design and edit documentation**

- Refine customization of QuickBooks based on experience entering current year activity.
- Edit bookkeeping documentation as needed.

### **Plan bookkeeping strategy**

- Go over monthly and quarterly bookkeeping tasks with executive director and staff.
- Decide who will enter activity into QuickBooks and how they will get the information they need to properly enter transactions.

### **Ongoing maintenance, training and improvements**

- Plan for ongoing maintenance by someone qualified to supervise the accounting system.
- Consider need for staff training in nonprofit accounting and bookkeeping.
- Plan system for continually improving accounting system and keeping it up-to-date.