

## Nonprofit Accounting Academy

### QuickBooks Online vs. QuickBooks Desktop: Which One Is Best?

QuickBooks comes in many flavors, any of which can be used for your nonprofit organization. You may think you have to buy QuickBooks Premier Nonprofit software, but that's not the case. If you already own QuickBooks Pro, for example, you can use that version just as easily.

The main difference is not between the various desktop versions, rather it's between QuickBooks Online and any of the desktop versions. Online and desktop both have their pros and cons. Here's a rundown of the advantages of each as we see it for nonprofit organizations:

#### **Advantage Desktop: Accounts Receivable**

QuickBooks Online is gaining in popularity, though it still has drawbacks affecting its use for nonprofits. One disadvantage, you can only use one accounts receivable account. It's nice to be able to separate trade receivables from grants and pledges receivable which you can easily do in QuickBooks Desktop.

#### **Advantage Desktop: Customer List Segmentation and Customization**

Another limitation of QuickBooks Online is minimal customization options for the customer list. In both online and desktop versions you only have one customer list that has to accommodate everyone who pays or gives money to your organization. In the desktop software you can differentiate customers by type such as customer vs. donor, create custom fields and use many other existing fields to create a detailed database. You can then create custom reports on these fields.

#### **Advantage Desktop: Managing payroll for multiple grants**

QuickBooks desktop software has a big advantage if you manage multiple grants that include payroll. You can integrate QuickBooks Payroll or Intuit Online Payroll into the software and easily code wages and related payroll taxes to grants for tracking and reporting purposes. This feature alone could make the desktop product the best choice for you. We have not found any other solution like it.

#### **Advantage Desktop: Custom reporting**

QuickBooks desktop software has superior custom reporting options, especially helpful for managing restricted grants. Although QuickBooks Online has improved the flexibility of their reporting in recent years and their reporting options may be robust enough for many nonprofits. QuickBooks Online also recently introduced the Projects feature which can help you track restricted grants.

#### **Advantage Online: Multi user access from anywhere**

QuickBooks Online offers some features not easily replicated with the desktop version. With QuickBooks Online Plus you can have up to five users who can be logged in at the same time plus two accountant users. In addition you can have unlimited "View Only" users, very handy for board members

who want access to the latest reports. Users can log in at any time and from anywhere since QuickBooks Online is hosted “in the cloud” on Intuit’s servers.

With QuickBooks desktop software, if you want to login from a remote location, you have to use a third party software such as LogMeIn to access the computer where the QuickBooks software is located. Furthermore, the computer has to be turned on and connected to the Internet. Or you can use a hosted computer environment which is rather pricey.

#### **Advantage Online: File backup and security**

Too often with QuickBooks desktop software, we find the QuickBooks company file kept on the volunteer’s laptop, and who knows where it is much less when you can access it! Any time online access and no worries about backing up or losing your file makes QuickBooks Online an attractive option.

#### **Advantage Online: Import bank transactions**

Half the battle in accounting can be getting the transactions from your bank and credit card accounts into the accounting software. QuickBooks Online makes this task easier. Once you link your bank and credit card accounts to online banking, you never have to mess with it again unless something changes, like a password. Once connected to the bank, the transactions continue to feed into QuickBooks. You can even set up automatic posting of routine transactions into your books. With the desktop software you can also import transactions, but it may take more manual steps.

#### **Advantage Online: Location code**

Both QuickBooks Desktop and QuickBooks Online can tag transactions by account, item or product/service, and class. QuickBooks Online can additionally tag transactions by location code. This code can be used for geographic locations, committees, special events, departments, etc. You can run reports on activity by location code and you can even maintain a balance sheet by location code.

#### **Both Online and Desktop Versions are cheap through TechSoup**

If you are a 501(c)(3) nonprofit thinking of moving your accounting to the cloud, you can purchase an initial one-year subscription to QuickBooks Online Plus through TechSoup for \$50. At this time the annual renewal is also \$50. QuickBooks Premier Nonprofit desktop software with access for one user is also \$50 on TechSoup. (More users can access the software, just not at the same time. The three-user version which allows simultaneous access for up to three users is \$125.)

#### **Which is best?**

Though QuickBooks Online makes it easier for me to access a client’s file, I still prefer QuickBooks Desktop. The desktop software has superior customization and reporting, features I use heavily in designing QuickBooks for a nonprofit. That being said, we’ve noticed a definite shift toward QuickBooks Online and Intuit is devoting most of its resources to improving this product. Which is best still comes down to which software offers the features best suited to your organization’s needs.