Leveraging cloud-based workflows for nonprofit organizations

Meredith Smith, CPA
CPE Process

In order to receive CPE credit
- Be sure to sign in or scan your badge for this session
- You must stay in the session for the duration of the training
- This session is eligible for 1 hour of CPE
- CPE certificates are emailed directly to you within 4 weeks of the conference date to the same email address you used to register
Today’s speaker

Meredith Smith, CPA
Principal
Streamlined Accounting Strategies, LLC
meredith@streamlinedstrat.com
Workflow diagram
Approximately 1.56 million nonprofits were registered with the Internal Revenue Service in 2015

The Urban Institute “The Nonprofit Sector in Brief 2018”
Public charities by annual expenses

1,090,000 Public Charities

- Under $100K: 6%
- $100 to $999.99 thousand: 17%
- $1 to $9.99 million: 30%
- $10 million plus: 47%

Source: Urban Institute “The Nonprofit Sector in Brief 2018”
What is unique about nonprofit clients?

Some things are exactly the same

Payroll and payroll tax compliance

1099 filings

Can be messy and disorganized just like for-profit clients

Passionate about what they do but confused about bookkeeping, accounting and tax!
Sources of revenue

- GRANTS
- DONATIONS
- MEMBERSHIP DUES
- FUNDRAISING EVENTS
- PROGRAM INCOME
Unique needs of nonprofits

GAAP
• Accrual
• Revenue recognition
• Financial report requirements
• Track restricted funds

Federal reporting and auditing requirements

State reporting and auditing requirements

Boards of directors

Internal controls and segregation of duties
Unique needs of nonprofits

These are the unique needs we focus on when setting up QuickBooks and workflows

Financial Report Requirements
Standard set of financial statements includes the *Statement of Functional Expenses*. Expenses are allocated by 3 functions:
- Administrative
- Program
- Fundraising

Track Restricted Funds
When a donor makes a gift for a specific purpose, expenses related to that donation must be tracked and reported (also a financial report requirement)

Internal Controls and Segregation of Duties
Important for all clients, but nonprofits receive extra scrutiny during audits.
Key features of cloud-based workflows

Requires little or no manual process – you are not sitting at a computer keying in data.

Sometimes data is entered at the source by someone else – like an employee or a donor.

Apps use OCR and AI to capture data from source documents.

Apps talk to each other and to other data sources – sync, publish, fetch, import, export, upload, download.
Additional benefits to nonprofits

**Segregation of duties** - More people can participate in the review and approval of transactions, including the client accounting services firm.

**Growth** - As the organization grows it is easy to plus in new people and add new apps. The system has endless capacity.

**Audit Trail** - Documents are digital and apps have built in audit trails. It is much easier for the auditor to review.
Let’s Do It!
Step 1: Make sure your client is on board!

Access

- Is there sufficient internet bandwidth?
- Do they have devices that can access the internet?
- Do they have access to smartphones?
- Is there cellular coverage?
- Do they have an office scanner?

Willingness

- Understand the benefits of moving to the cloud,
- Make sure you have buy-in from the team at the client,
- Provide training,
- Listen to the client and offer solutions that meet their needs and solve their problems.
Step 2: Set up QuickBooks Online

Tech Soup – www.techsoup.org
Set up QuickBooks Online

QuickBooks is your backbone!

Start with QuickBooks Online (QBO) Plus or QuickBooks Online Advanced (QBOA) (need to have class tracking)

Keep it simple

Make sure each list is only tracking one type of information

Turn On

Expense tracking for restricted funds (Expenses > Track expenses and items by donor)

Class tracking for functional expenses (Advanced > Categories > Track classes)
Set up QuickBooks Online

Create lists:

Chart of accounts for natural classifications
Classes for functional expenses
Items (if needed)
Clean up and import, vendor list, customer list and employee list (if applicable)

Sync:

Banks and credit cards
Stripe
PayPal
Square
Payroll

Automate:

Bank rules
Step 3: Design your workflow

3 Components

- Inputs
- Activities
- Outputs
Inputs

Identify all the data sources

Statements
Invoices
Contracts
Receipts
Time sheets
Deposits
Donor records
Other data basis
Activities
Capturing and processing the inputs

Use your **tech stack** to capture and process as much information as possible without touching a piece of paper or doing very much data entry.
Outputs

Everything the system produces for you and other cool data.

- Financial reports
- Management reports
- Grant reports
- Payments to employees and vendors
- Time and expense allocation information
- Forecasts and budgets
- Analytical data
#1: Pick an App to capture documents and data

Pick one app that clients can use to get documents to you

Make sure the app integrates with QuickBooks.

Other features to look for:

- Uses OCR or AI
- Easy for clients to get documents into: email, smartphone capture, upload
- Integration with apps in addition to QuickBooks so you can build your workflow as you client grows
#2: Add Bill.com

Enter, approve and pay bills in the cloud

- Audit trail
- Segregation of duties
- Multi-level and customizable permissions
- Automated approval policies
- Syncs with QBO and other apps
#3: Add expense reporting and tracking

- Data captured and entered at the source by employees
- Additional layer of rules and approvals
- Reimbursable expenses sync with Bill.Com
- Non-reimbursable (debit/corporate cc) sync with QBO
#4: Keep adding apps

**SaasAnt**
Import transactions from other databases that do not sync with QBO

**TSheets**
Track time for expense allocation data
Important if receiving federal or state grants/contracts
On-boarding and supporting clients – 4 steps

Initial conversation
Assessment
Implementation
On-going support
On-boarding clients

FREE CONSULT

This is the initial interview with the client where we check each other out. I describe how our firm works with clients and we all decide if we want to move forward with an engagement. There is no charge for the initial meeting. This meeting is usually by phone or video conference.
On-boarding clients

Assessment

For a flat fee, we meet with the client, learn how their organization works, and identify their needs and pain points.

• Analyze the current accounting system
• Get an understanding of their existing accounting procedures and workflow
• Gain a deeper understanding of their revenue sources and types of expenditures
• Document our recommendations and draft a workflow model
• Provide them with a proposal for implementing the recommendations and workflow
On-boarding clients

Assessment (cont’d)

The proposal and recommendations from the assessment include:

• Workflow showing inputs, activities and outputs

• Steps needed to implement the plan, who is responsible for each step, and the information, documents or decisions required to complete each step
On-boarding clients

Implementation

This is the fun part!

For a fee we implement the agreed-upon plan
On-boarding clients

On-going support

Once the plan is implemented. We provide:

• An updated workflow that incorporates any changes made during the implementation process

• Fixed fee for on-going client accounting services. This varies widely depending the client’s resources, contributions to the process and complexity of their accounting system

• Provide a roles diagram that outlines the segregation of duties for the client
Questions?
Nonprofit resources

Tech Soup [https://www.techsoup.org](https://www.techsoup.org)
TechSoup supports nonprofits, charities, and libraries by providing access to donations and discounts on software, hardware, and services from major brands.

The National Council of Nonprofits produces and curates tools, resources, and samples for nonprofits. Topics include audits, federal tax laws, FASB standards and other forms of financial management. They also publish the [Nonprofit Audit Guide](https://www.councilofnonprofits.org/tools-resources-categories/financial-management).

Nonprofit Quarterly, [https://nonprofitquarterly.org/](https://nonprofitquarterly.org/)
NPQ uses a range of media channels to help advance critical conversations that can refine nonprofit and social movement policy and practice.
Nonprofit resources

Stanford Social Innovation Review is a quarterly magazine-cum-website about social innovation published by the Stanford Center on Philanthropy and Civil Society. SSIR covers a wide range of topics, including nonprofit management, philanthropy, corporate citizenship, and social change.

Resources for best practices on organizational management. Articles delve into industry news and research, as well as fundraising, accounting, and daily operational tips for nonprofit staff.

Blue Avocado, https://blueavocado.org/tag/accounting/
Blue Avocado is an online magazine fueled by a bimonthly newsletter designed to provide practical, tactical tips and tools to nonprofit leaders.

Board Source, https://boardsource.org/research-critical-issues/
Provides support to individual nonprofit leaders and organizations through work to identify and map trends within the nonprofit sector and to inspire action on critical issues facing nonprofit organizations.
Nonprofit resources

**CompassPoint**, [https://www.compasspoint.org/publish](https://www.compasspoint.org/publish)
CompassPoint helps leaders, nonprofit organizations, and movements acquire essential skills and knowledge.

GuideStar experts and other authorities throughout the field share insights about issues affecting nonprofits and info about the nonprofit sector as a whole.

**Harbor Compliance**, [https://www.harborcompliance.com/information](https://www.harborcompliance.com/information)
Information guides and support to navigate regulatory requirements.

**Center for Nonprofit Leadership / Adelphi University**
Provides resources that are responsive to the needs of the nonprofit sector. Information available includes nonprofit governance, focusing on the crucial work of the board of directors and its leadership role that includes strategic planning.
Nonprofit resources

The American Institute of CPAs Not-for-Profit Section, [www.aicpa.org/interestareas/notforprofit.html](http://www.aicpa.org/interestareas/notforprofit.html)
The AICPA’s Not-for-Profit Section provides resources to support those who work with and for not-for-profit (NFP) organizations.

News, forms and educational resources for nonprofits.
Rate this Session on the QuickBooks Connect Mobile App

Provide feedback to help us design content for future events

1. Select **Sessions**
2. Select **Session Title**
3. Select **Survey**
4. Add **Ratings**
Material Download

1. Find the session on the agenda
2. Select + for more information
3. Download PDF of slides and/or supplemental material

https://quickbooksconnect.com/agenda/