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Bookkeeping for Small Nonprofits

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Your Presenter



- Fred Weinhold has a rich background in energy innovation and nonprofit support, starting with government work and moving to consulting on sustainable energy solutions. He's skilled in financial management for nonprofits and mentoring entrepreneurs. Lately, Fred focuses on helping nonprofits grow, blending his energy expertise and financial acumen to drive their success. fred.weinhold@scorevolunteer.org

About SCORE

As a resource partner of the SBA, we help small businesses by:



Providing free
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Agenda

- Overview—what are you trying to accomplish
- Cashflow spreadsheets—a place to start
 - What Excel spreadsheets can do/how to use them
- Dealing with complications
- Using dedicated accounting software for nonprofits
- Contributions & Payroll
- Summary—who does what
- Questions

Need to Organize Financial Data



- Start with records of each financial transaction
- Organize them to manage and communicate
- To manage you need to know where you have been, where you are now, and where you plan to go
- Need to communicate financial information with:
 - Board of Directors, donors, proposals, banks, auditors, state agencies, the IRS, and the general public
- Solutions—combination of standard and custom reports

Documenting Your Transactions

- Information needed—Name of payee or payor, amount, date, description of event to assign it to appropriate category/account
- Traditional approach—invoice/receipt, paper checks, deposit slips, check register, monthly bank statements with canceled checks
 - Reconcile check register with bank statement
- New ways of banking require alternate approaches
 - Debit cards, credit cards, online bill pay, PayPal, Venmo, Zelle, online/direct deposit, account activity & statements online



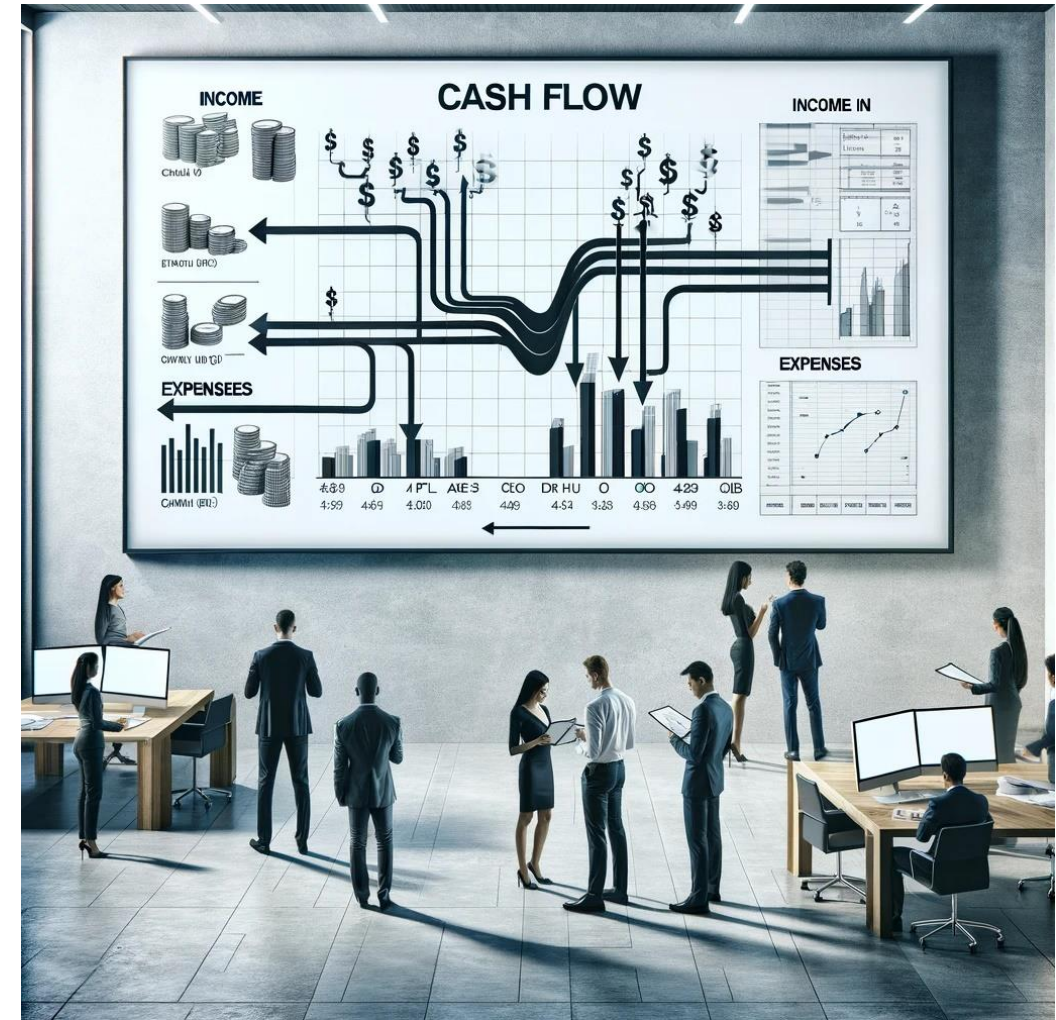
Financial Accounting



- Profession developed over the years using ledger books kept by hand
- Computers changed that
 - Spreadsheets
 - Dedicated accounting software
- Gold standard—professionals prepare the “books” using sophisticated software, audited by independent professionals
- Not appropriate or feasible for small nonprofits just getting started
- What do you do?

Cashflow Spreadsheet

- Cashflow spreadsheet—a place to start
- Traditional Financial Statements
 - Income and Expense Sheet (Profit & Loss)
 - Balance Sheet (Assets & Liabilities)
 - Budget (Plan for coming months and year)
- Cashflow sheet can provide information on all 3 in simple situations



Generic Cashflow Spreadsheet

NONPROFIT CASHFLOW 2023															
	Pre-Startup	January	February	March	April	May	June	July	August	September	October	November	December	2023 Total	
Cash on hand(1st of mo)	0	1125	2075	2000	2375	2300	2175	3050	2975	2900	2825	2700	3125		
RECEIPTS															
Contributions, gifts, etc.	1300	700	500	950	500	500	500	500	500	500	500	1000	500	8450	
Fundraising event	0	1000	0	0	0	0	1000	0	0	0	0	0	500	2500	
GROSS CONTRIBUTIONS	1300	1700	500	950	500	500	1500	500	500	500	500	1000	1000	10950	
Service revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL CASH RECEIPTS	1300	1700	500	950	500	500	1500	500	500	500	500	1000	1000	10950	
EXPENCES															
Program expenses															
Gift packages	0	200	400	400	400	400	400	400	400	400	400	400	400	4600	
Packaging	0	50	75	75	75	75	75	75	75	75	75	75	75	875	
Shipping	0	50	75	75	75	75	75	75	75	75	75	75	75	875	
TOTAL PROGRAM	0	300	550	550	550	550	550	550	550	550	550	550	550	6350	
Administrative Exp.															
Prof. Fees--1099NEC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Rent, utilities, etc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office/admin. expences	50	100	25	25	25	25	25	25	25	25	25	25	25	425	
Filing fees	125	275	0	0	0	0	0	0	0	0	0	0	0	400	
Travel	0	25	0	0	0	0	50	0	0	0	0	0	0	75	
Advertising	0	50	0	0	0	50	0	0	0	0	50	0	0	150	
TOTAL ADMINISTRATIVE	175	450	25	25	25	75	75	25	25	25	75	25	25	1050	
FUNDRAISING															
TOTAL CASH EXPENSES	175	750	575	575	575	625	625	575	575	575	625	575	575	7400	
EXCESS OR DEFICIT	1125	950	-75	375	-75	-125	875	-75	-75	-75	-125	425	425	3550	
Cash on hand(end of mo)	1125	2075	2000	2375	2300	2175	3050	2975	2900	2825	2700	3125	3550		

How to View Excel Spreadsheet Discussion



The image shows a screenshot of an Excel spreadsheet with a financial statement. The spreadsheet has multiple columns and rows of data. The first column contains various categories, and the subsequent columns contain numerical values. The data is organized into several sections, with some rows highlighted in blue. The spreadsheet is displayed on a computer screen, and the Excel interface is visible at the top.

Category	Value 1	Value 2	Value 3	Value 4	Value 5	Value 6	Value 7	Value 8	Value 9	Value 10						
Comptoirs	4.21	1.9	0.8.98	508.00	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8
Oelivannimlo	2.8.88	0	13	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Poten	11.8	9	2.8.8	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Comptoirs	1.58	3	287.20	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Yotale salenial	1.39	18	1.2.	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Dafos	15	3	0.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Bolonnition	5.5	3	10.00	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Pomation	1.30	3	3.20	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Vinnie:Z OP	1.38	7	15.95	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Veranpation	1.27	8	15.80	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	3.85	8	18.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Oodlondu mures	48	5	84.38	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Lolionmation	20	3	12.30	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
UNTamues)	7	6	15.38	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Imnon	3.5	2	13.37	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Veras	1.5	18	43.36	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
(S) Camnios	14.3	8	21.38	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
T: nls	0.14	15	81.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Yomnnsnne	4.8.8	5	5.1.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Viter	7.2	13	73.48	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Vrephne	1.13	3	34.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Unnns	2.4	3	48.54	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Vinnu -Vinnu	2.17	5	98.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	33	1	12.20	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	9.5	8	38.32	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Sonnnnn	1.5	3	3A.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	3.3.3	9	1A.88	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	18.3	5	13.80	4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	
Ninnpempans	3.8.5			4.08A.00	10.5.000	2.3.90.000	3.89	4.11	19.40	0.00	11.8	1.7.8.8	1.07	1.4.8	1.7.8.8	

- If you have good working knowledge of Excel spreadsheets
 - Should enable you to setup and maintain spreadsheet-based bookkeeping system
- If you are already using a spreadsheet bookkeeping system
 - Provide tips in making it more helpful/easier to use
- If you are unfamiliar or a novice with spreadsheets
 - Provide a basic understanding of how they work
 - Motivate you to recruit someone who does to keep the books

Cashflow Spreadsheet— Live Demonstration

Preparing Cashflow Spreadsheet

- Sample shows text descriptions and numbers
- The real power of computer spreadsheets is in the instructions and formulas in each cell that are hidden on the output sheet
- Different ways for filling in cells:
 - A number by itself—4321
 - A formula with numbers— =4321+200+150
 - A value or formula from another cell on the sheet — =B31
 - A value or formula from a different sheet — =contributionsD59

Filling in the Cashflow Spreadsheet

- Create the basic categories in the lefthand column
 - You can add additional ones and subtotals later
- Enter appropriate number when one transaction fills the category
- When cell includes several transactions enter the sum--= $20+30+40$
- When cell represents numerous or complex transactions may need to have a separate spreadsheet and enter link on cashflow sheet
- When other links or formulas are needed, enter them =SUM(C7:C9)

Using Cashflow Spreadsheet to Manage

- Cash on hand is a measure of your assets at a point in time
- Receipts summarizes where your funds are coming from
 - Show more detail in separate Contributions spreadsheet
- Expenses can be grouped into Program, Administrative, & Fundraising
 - Difficult if certain expenses shared; i.e., salaries
- Difference between Receipts and Expenses reflects surplus (profits)
- By differentiating between past transactions and future projections you can include budget numbers

Complicating Transactions

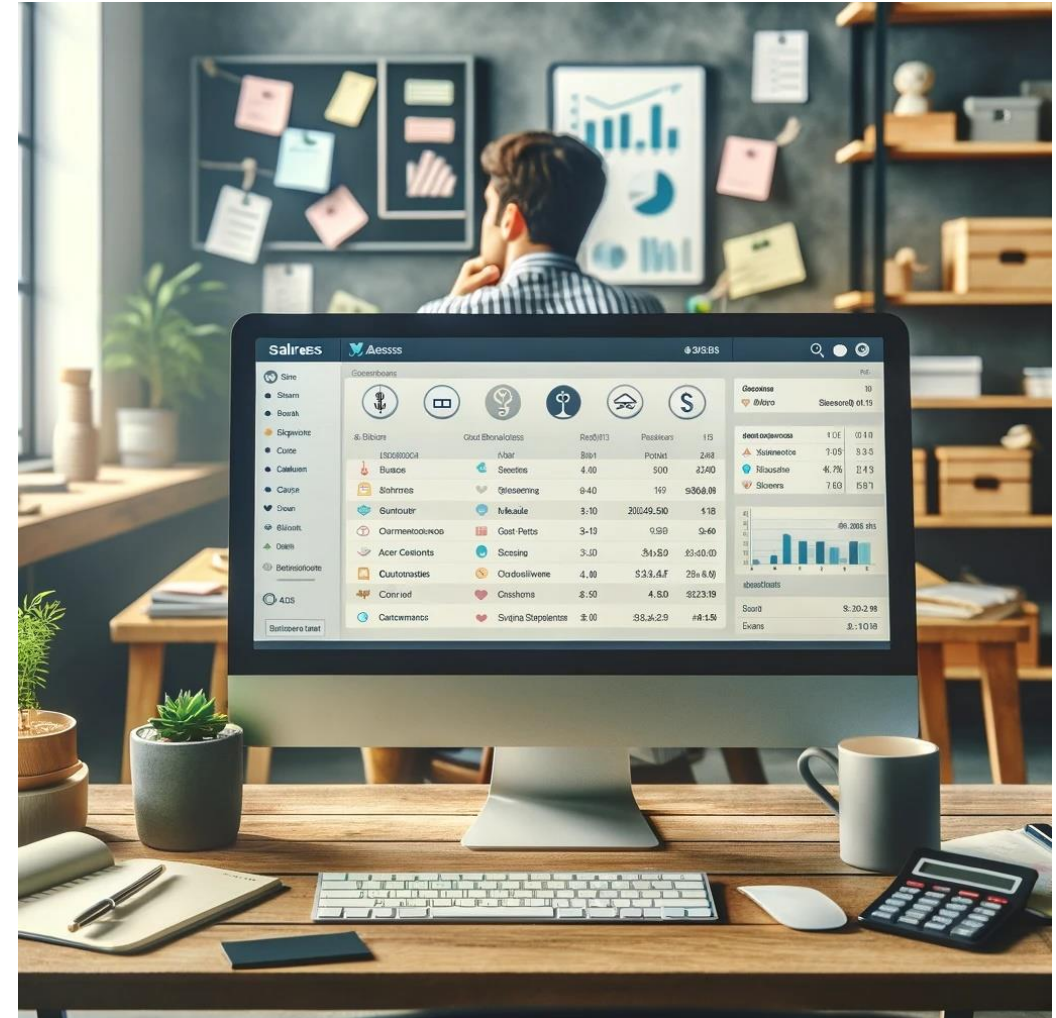
- Credit card transactions—Purchases and cash payment may be in different periods
 - Could post purchase when they occur and adjust for credit card balance—separate spreadsheet may be needed--complicated
- Other assets—other financial assets, property and equipment
 - Balance sheet needed to show
- Payroll—involves multiple transactions in different time periods
- Designated or program funds—Donors, IRS and others want to see
 - Multiple cashflow sheets may be needed

Generic Balance Sheet

	January 1, 2023	December 31, 2023
CURRENT ASSETS		
Cash (checking account)	1,125	3,050
Savings/CDs	2,000	3,000
Total Current Assets	3,125	6,050
FIXED ASSETS		
Equipment	2,000	2,500
Buildings	1,000	1,000
Total Fixed Assets	3,000	3,500
OTHER ASSETS	0	500
TOTAL ASSETS	6,125	10,050
CURRENT LIABILITIES		
Accounts Payable/Credit Card	1,000	1,200
Wages due	0	1,500
Taxes due	0	150
Total Current Liabilities	1,000	2,850
LONG-TERM LIABILITIES		
Mortgage	0	0
Long-term Loan	500	1,000
Total Long-term Liabilities	500	1,000
TOTAL LIABILITIES	1,500	3,850
NET WORTH/ UNRESTRICTED BALANCE	4,625	6,200

The Next Level—Accounting Software

- Various factors can dictate shifting to accounting software rather than spreadsheets
 - Complications noted earlier
 - Growth—IRS and others may require more sophisticated accounting when revenues exceed \$50,000 annually
 - Availability of resources/volunteers who are familiar with accounting software



How Accounting Software Works



- Each transaction with dates and categories (accounts) is entered on appropriate screen
- Using double entry approach, software generates myriad of reports including traditional financials noted earlier
- Facilitates reconciliation with bank records
- Package may include other useful modules
 - Payroll—calculations for withholding, taxes etc.
 - Contributions—documents individual donors and contributions

Choosing Accounting Software



- Many vendors and choices
- Currently cloud-based program sold on subscription basis look best
 - Range from few dollars per month to hundreds
 - Need to shop online for what you need and can afford
 - Many offer free trial to get started
- One key factor is the person who will use the software; are they familiar with a particular vendor and/or product
- Help setting up the chart of accounts and training may be needed

Contributions

- Contributions appear on financial reports as anonymous totals
- IRS requires information on individual donors to be kept and analyzed
 - Acknowledgement of individual donations
 - Review to justify “public charity” designation after 5 years
- Contributions spreadsheet or module can be used to send acknowledgements
 - Use for fundraising and communications



Generic Contributions Spreadsheet

GENERIC CONTRIBUTIONS SPREADSHEET														
NAME	ADDRESS	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
Tom Able		100		100			100			100			100	500
Sue Black			75		50	75						300		500
D Smith Family		600		600									200	1400
														0
														0
														0
TOTAL		700	75	700	50	75	100	0	0	100	0	300	300	2400
													CHECK	2400
NOTES:	1. It may be more useful to enter the addresses in multiple columns to facilitate letter and envelope preparation with merge mail													
	2. Need to prepare a new worksheet each calendar/tax year, then a summary sheet with annual totals													
	3. For IRS purposes need to combine the contributions of family members.													

Payroll

- Paying individuals for their services is complicated
 - Independent contractors need 1099NECs if over \$600 per year
 - Employees need taxes withheld and W-2s.
 - Employers pay payroll taxes and deposit withholdings with IRS
- Payroll can be done inhouse but recommend use of payroll service, professional bookkeeper or payroll module with accounting software
- Research the internet and determine your bookkeeper's experience and preference.



Who Does What?



- So far have focused on tasks to document financial transactions
- How will they and other financial tasks be done in your nonprofit?
 - Bookkeeper enters transactions into records; may make deposits, write checks, prepare invoices etc.
 - Treasurer/others may authorize payments, should sign checks, reconcile bank statements, interpret financial statements
 - Experience shows importance of separating functions

Summary

- Need good financial information to successfully manage your nonprofit
- Can start with cashflow and associated spreadsheets
- Move to accounting software program if and when appropriate
- Use the information to understand where you have been, where you are now and, where you are going
- Understand the messages the information provides rather than fixating on the numbers themselves—consistency and trends

Questions?

Helpful Links

- Find SCORE resources for small businesses at www.score.org/templates-resources
- Find more SCORE live and recorded workshops and courses at www.score.org/get-business-training
- Book an appointment with a SCORE mentor at www.score.org/find-mentor



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