Accounting Reconciliation and Integration Best Practices

Written by Heller Consulting

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Contents

About the Author

This guide was written by Heller Consulting, a Convio Solution Provider authorized to provide services around the Common Ground system. It is part of an ongoing effort by Heller Consulting and Convio to get information about nonprofit technology and fundraising and marketing best practices into the nonprofit sector's hands. Heller Consulting brings efficient business practices and effective use of technology to nonprofit fundraisers, supporting greater success with less effort. Since 1996, the company has served more than 700 nonprofits of every type and size. For more information, please visit www.teamheller.com.

I. INTRODUCTION

Reconciliation with accounting is a perennially popular topic with Heller Consulting and Convio Common Ground™ clients. No matter the type or size of organization, communicating and sharing information with colleagues in the accounting office is a primary responsibility of the development department. The consequences of not doing so are frequently painful: The annual audit may be affected, reports to the board and other stakeholders can be embarrassingly dissimilar, the two departments' databases can become divergent, and perhaps worst of all, the two departments can become distrustful of each other.

Reconciliation is an area that many people wish would resolve itself with a "one-button" solution. Yet, full integration between the development and accounting databases rarely is the best solution for dealing with this essential task.

This handbook is a strategic guide for Common Ground administrators to think about how they will communicate financial information to their counterparts in accounting, and to design efficient and accurate processes that make the best use of Common Ground's capabilities.

The guide includes detailed information about reconciling with QuickBooks®, the most-frequently asked about financial package on the Common Ground support lines.

After reading this handbook, you should be able to do the following:

- Describe how accounting and development departments think differently about financial transactions, and why that matters for financial reconciliation
- Knowledgeably use Common Ground features designed for security of financial information
- Identify a reasonable reconciliation process that will satisfy both accounting and development departments
- Be aware of how your organization has Common Ground and/or QuickBooks financial data configured, and what impact that may have on reconciliation

II. THE ESSENTIALS OF GAAP (FUND) ACCOUNTING

We at Heller Consulting and Convio are not accountants, but we've worked with accounting departments long enough to become familiar with some fundamental nonprofit accounting concepts that are helpful to know when approaching

communication and reconciliation with accounting. This section is a brief overview that should help you if you're new to fundraising or new to working with your accounting department.[1]

A. Some Basic Principles and Terms

The first concept to know is ***net asset classification.*** Under current nonprofit accounting rules, all contributed revenue (net assets) must be classified as Unrestricted, Temporarily Restricted, or Permanently Restricted. Here are some examples of the different classifications:

- **Unrestricted**: the donor has placed no restriction on the use of the funds. Most organizations place a large emphasis on raising unrestricted funds. Typically, the organization's board makes decisions on a regular basis on how to allocate unrestricted funds for use by the organization. These allocations are reflected only in the general ledger. The development database notes only the donor's intent at the time the gift was given.

  If contributed revenue is restricted, the restriction can be specified only by the donor. This idea of ***donor-imposed restriction*** is the second helpful accounting concept to know.

- **Temporarily Restricted**: the donor has placed restrictions on the use of the funds by *time* and/or by *purpose*. For example, most nonprofits accept funds and raise funds for their programs and services. The alumni of a college can give specifically to a new library. Or, a hospital foundation raises money specifically for cardiac care. An example of a restriction by time is a pledge that is promised to be paid over a 5-year period. The payments received in future years are considered time-restricted.

- **Permanently Restricted**: The most common type of permanently restricted funds is endowments. With permanently restricted funds, the organization does not use the principal of the gift, but can use the investment income. The investment income may be considered temporarily restricted if the donor makes that specification.

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[1] There are many online resources for more basic information about nonprofit accounting. In particular, you may wish to research FASB-116 and FASB-117, two documents that were published in the 1990s by the Financial Accounting Standards Board that lay the foundation for current accounting rules for contributed revenue.

The third concept to be familiar with is the **accrual basis** of accounting. When an organization uses the accrual basis of accounting, unconditional pledges are recorded at the time they are made and "count" toward the current year's fundraising and revenue total. Pledge payments, which may be received in future years, do not count toward that year's fundraising, but are applied back to the pledge made in the previous year. A conditional pledge, such as a challenge grant, would likely not be recorded by the accounting department unless the organization was sure the condition could be met. The opposite of the accrual basis is the *cash basis*, in which organizations treat all cash the same and do not keep track of pledges in the general ledger.

B. Impact on Relationship between Development and Accounting

Why does all this accounting stuff matter? Because it helps to explain and highlight the differences in how development and accounting departments think about and use financial information. With some basic knowledge of nonprofit accounting principles, fundraisers are better prepared to approach reconciliation. Below are two examples of real-life situations, coming from two different angles on how development and finance departments need to work together.

Example 1
This example shows the importance of communicating when setting up new codes in the fundraising system. Let's say that a development office leads an initiative to ask donors to start named funds. These funds will be used for the organization's endowment — that is, they are *permanently restricted*. The organization has only one endowment fund and all these gifts ultimately end up in the same investment account. Over time, the development department may be successful in closing dozens of these gifts and feel like they should create "funds" in their fundraising database to reflect these specifications of how the funds are named. But to the accounting office, the underlying purpose of the funds is likely to be the more important consideration, and they probably would not want to set up what they would see as duplicative funds in their system. These two departments are going to have to develop a compromise so that Development can use the fund names and recognize their donors, while reporting to Accounting according to the existing account for the revenue. One solution would be to set up separate funds in the development system to facilitate donor recognition, and make sure that all these funds are mapped to the same account in the accounting system.

Example 2
This example demonstrates how accounting and development departments may "count" totals differently. It's common for an art museum to solicit sponsorships for exhibits that

are planned for several years in the future. Private and corporate sponsors may give now and specify that the funds are to be used in a future year, or they may pledge now and fulfill the pledge closer to the time of the exhibition. Development and accounting offices may have different numbers for goal reporting in this scenario. Accounting, if using the accrual method, will count all gifts and pledges received this year as this year's revenue. Development might want to count the portion that will be received or used in a future year as part of that year's goal. In this situation, the two departments must communicate clearly about what amounts are being counted in goal reports so that they don't confuse the board and other stakeholders.

As these examples demonstrate, development and accounting offices can have different objectives when using financial information. They must clarify these objectives, both within each department and for each other to develop a smooth relationship. Here are some examples of objectives:

Development Objectives
- **Reports** that allow management staff to:
    - Measure and evaluate the efficacy of specific fundraising efforts and overarching fundraising strategies
    - Assess progress towards fundraising / budgetary goals
    - Forecast donation cash flow
    - Keep the board informed
- **Identify major donor prospects** by analyzing detailed individual giving histories
- **Support all donor relationships** by providing donors with accurate information about their giving history and correctly stewarding gifts based on the donor's intent

Accounting Objectives
- **Accurately track assets** entering the organization as donations
- **Ensure compliance with IRS regulations** (FASB, stewarding donor intentions, etc.)
- **Monitor budgetary needs** and the financial resources to meet those needs
- **Forecast cash flow** for the organization to ensure solvency
- **Reconcile** all financial systems with the bank statements
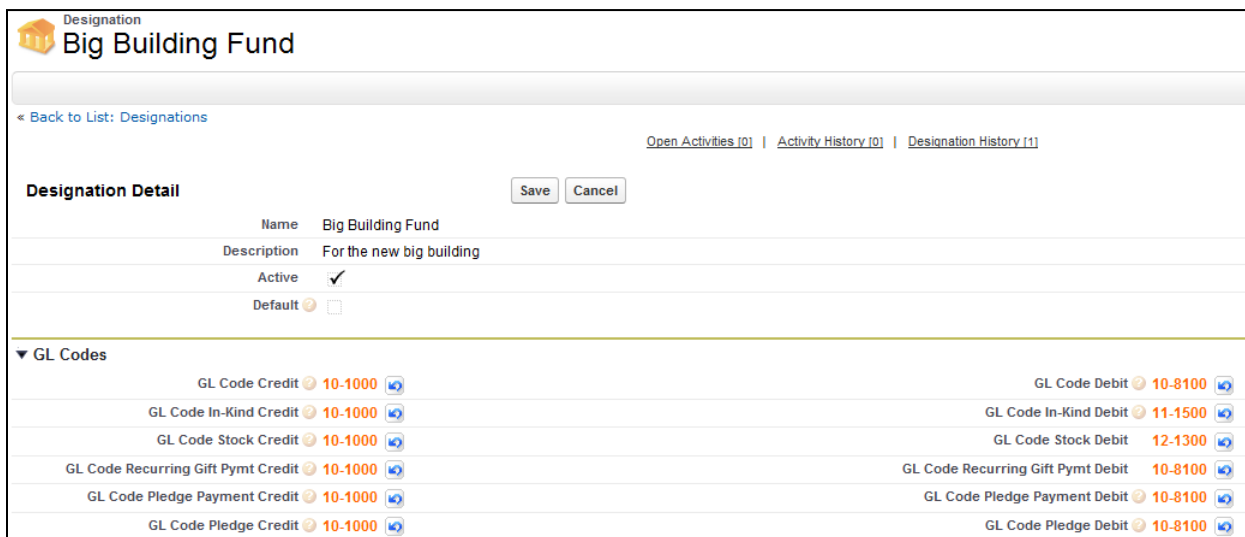- **Pass the audit**

Consider what other objectives you might include for each department at your organization.

III. COMMON GROUND TOOLS FOR FINANCIAL MANAGEMENT

Common Ground offers powerful tools to help keep your financial data clean and auditable. Using these features will help streamline the reconciliation process and your daily gift entry workflow.

A. GL Account Numbers

Common Ground Designation records have fields to record the debit and credit account numbers for each type of donation (based on Record Type). When these are filled in (you may need to enlist the assistance of your accounting department to complete them correctly), the reports in the Financial Reports area will pull the correct account numbers based on the type of transaction.

Common Ground Designation records have fields to record details for each type of donation
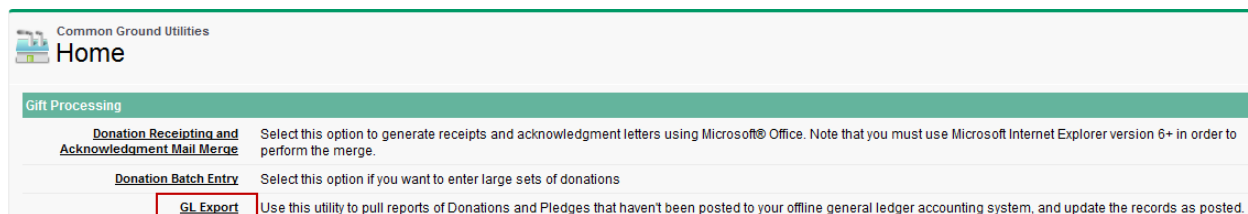
B. Posting

It's a good idea to post your transactions in Common Ground periodically, after reconciliation with the accounting department. Posting "locks down" key fields on transactions, making it impossible to edit them and throw the two systems out of balance. The fields affected by posting are:

- Amount

- Designation
- Close Date
- Stage

Organizations that post their transactions typically do so after making sure the information has been received and accepted by the accounting department. The frequency with which transactions are posted varies depending on business needs, and volume of transactions. It's common to post monthly, although you can post more frequently if you send data to your accounting department on a more frequent basis, such as weekly.

We don't recommend adding gifts to Common Ground and immediately mark them as Posted. Doing so will likely raise the need for unnecessary adjustments. It's better to give your organization a little time to audit the data and confirm with the accounting department before marking gifts as Posted.

The posting function is located on the Utilities tab.

The posting utility will run the posting process on a specified report, and produce a .csv file of the affected transactions that you can send to the accounting department. Complete instructions for use of the utility are available in the Common Ground Resource Center on the Common Ground community at http://community.customer.convio.com/community/commonground.

Note that the Financial Reports and the GL Posting utility use a transaction-by-transaction format. They're designed for organizations that record donations at a transactional level in the accounting software in order to match what has been entered into the fundraising database. Smaller organizations, or organizations with a low gift volume, often reconcile in this way. Larger organizations, or organizations with a high gift volume, typically move to reconciling in summary when their donation volume reaches a "tipping point."

When reconciling summary numbers, the fundraising database can be thought of as a "sub-ledger" of the general ledger, holding the detail of the many transactions that comprise the one lump sum being reported to the accounting department. If your organization reconciles in summary, we recommend working with a partner to develop a custom report.

C. Reversals

A **reversal** is a function that allows key financial fields on a posted gift (Amount, Close Date, Designation, and Stage) to be edited.

The Reverse Donation utility allows key financial fields on a posted gift to be edited.

There are a variety of reasons that a posted gift might need to be changed:

- Check bounces or credit card is declined
- Donor requests a refund
- Donor changes the designation, or the gift was entered to the wrong Designation
- Gift was entered with the wrong amount

A reversal of a posted gift is preferable to editing an unposted gift because a reversal creates a transaction that can be used by the accounting software to indicate that a posted transaction has been changed. A reversal also provides an increased level of accountability and an audit trail in Common Ground.

Note that only four fields are affected by the posting process. That means that other important donation fields that do not affect the accounting department's records, such as Campaign, Acknowledgment Document, and Acknowledgment Status are not impacted by posting. These fields can be edited for development purposes without creating unnecessary reversal transactions for the accounting department.

You can include or exclude reversals from Financial Reports. Depending on your organization's needs or preferences, reversals can be reported separately from new transactions.

Report Name ↑	Description
All Posted Donations	Report of Donations that have been posted to Accounting (including reversals).
All Posted Pledge Payments	Report of Pledge Payments that have been posted to Accounting (including reversals).
All Posted Pledges	Report of pledges that have been posted to Accounting (including reversals).
All Unposted Donations	All donations that have not been posted to accounting (including reversals)
All Unposted Pledge Payments	All pledge payments that have not been posted to accounting (including reversals)
All Unposted Pledges	All pledges that have not been posted to accounting (including reversals)
Posted Donations	Shows all Donations that have been posted to Accounting
Posted Pledge Payment Reversals	Report of pledge payments that were reversed and then posted to Accounting
Posted Pledge Payments	Report of Pledge Payments that have been posted to Accounting
Posted Pledge Reversals	Report of pledges that have been reversed and posted to Accounting
Posted Pledges	Shows pledges that have been posted to Accounting
Posted Reversals	Shows all posted reversals for donations
Reversed Donations	Shows all donations that have been reversed (posted and unposted)
Reversed Pledge Payments	Report of reversed pledge payments (posted and unposted)
Reversed Pledges	Report of pledges that have been reversed (posted and unposted)
Unposted Donations	Shows all donations that have not been posted to Accounting
Unposted Pledge Payment Reversals	Pledge payments that have been reversed but not yet posted to accounting.
Unposted Pledge Payments	Report of Pledge Payments that have not been posted
Unposted Pledge Reversals	Reversed pledges that have not been posted to accounting
Unposted Pledges	Report of pledges that have not been posted to Accounting
Unposted Reversals	Donations which have been reversed and not posted.

Reversals can be included or excluded from Financial Reports.

In financial reports that include reversals, the reversal and the edited transaction will show up in separate rows. See the following example from an All Posted Donations report, which shows a reversed $100 Unrestricted gift, as well as the edited $100 Big Building Fund gift.

Donation Name	Donor	Account Name	Amount	Stage	Close Date	Created Date	Designation: Name	Designated Amount	GL Credit Code	GL Debit Code	Reversed	Reversed By	Reversed Date	Donation Record Type
Clark Kent $100.00 Single Donation 09/09/2010	Clark Kent	Clark Kent Household	$100.00	Received	9/9/2010	9/9/2010	Unrestricted	$100.00	1000-CASH	1234	✓	Tricia Fitzgerald	9/9/2010 11:46 AM	Single Donation
Clark Kent $100.00 Single Donation 09/09/2010	Clark Kent	Clark Kent Household	$100.00	Received	9/9/2010	9/9/2010	Big Building Fund	$100.00	-	-	☐		-	Single Donation

In financial reports that include reversals, the reversal and the edited transaction will appear in separate rows.

The GL Export also will show one row for the reversed transaction, and one row for the edited transaction. See the following example borrowed from the Common Ground Resource Center. Note that the debit and credit account numbers are reversed between the two rows. This tells the accounting system that one transaction is a reversal and one is a new transaction.

report1260311225721.csv [Read-Only]

	A	B	C	D	E	F	G	H	I	J	K	L
1	Donation Name	Donor	Account Name	Amount	Stage	Close Date	Created Date	Designation	Designated	GL Credit Code	GL Debit Code	Reversed
2	Elizabeth Ray $450.00 Single Donation 12/08/2009	Elizabeth Ray	Elizabeth Ray Household	450	Received	12/8/2009	12/8/2009	Research	450	40700	60700	0
3	Elizabeth Ray $450.00 Single Donation 12/08/2009	Elizabeth Ray	Elizabeth Ray Household	450	Received	12/8/2009	12/8/2009	Research	540	60700	40700	1

Sample GL Export

Once a gift has been reversed, it can be reversed again once the first reversal has been marked as Posted. While this is an unlikely scenario, it can be helpful on those rare occasions to have a record of the changes that have been made to the original transaction.

IV. TYPICAL RECONCILIATION PROCESS

In this section we'll explore three different reconciliation processes. You can conceptualize them along a spectrum from simplest to most complex: manually comparing reports, using a conversion utility, and full automation.

Full Automation (very complex)

Conversion Utility (increasingly complex)

Manual reports (least complex)
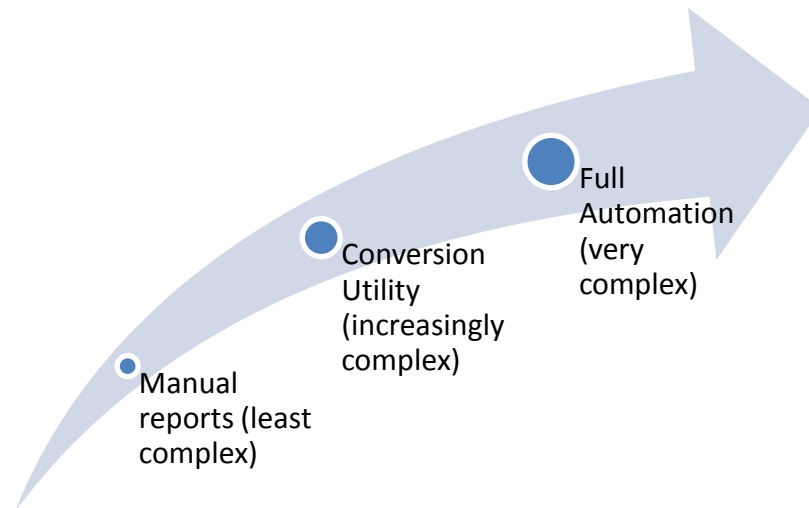
A. First Step: Compare Reports

Every successful reconciliation process begins with comparing apples to apples. That is, you've got to be sure that the information the development office brings to the table is comparable to what the accounting department brings.

This fundamental perspective is why Heller Consulting almost always recommends implementing a financial reconciliation process the old-fashioned way: by comparing comparable reports on a regular basis and checking for discrepancies.

If reconciliation is new to your organization, we highly recommend taking the data in small, manageable pieces. Don't start by trying to reconcile an entire quarter. You may want to start with daily totals (such as making sure deposits match what was batched or entered on a particular day) and work your way up to weekly totals.

At most organizations, there's more to reconcile than straight new cash donations. (This point is especially important to remember if you envision an automated reconciliation process in the future.) Not all of these transactions occur every day, but you must know how each system needs to record them.

Reconciling in shorter intervals allows you to discover these cases more naturally, and won't cause as much stress if multiple cases crop up when reconciling larger amounts of data. For example:

- Cash and check donations (most traditional donation type, most of what is taken physically to the bank)
- Credit card donations, which often are totaled separately for Accounting to assist in reconciliation with the monthly statements
- Unusual transaction types: stock, wire transfers, ACH transactions (some of these are likely to hit Accounting first and then need to be entered into Common Ground)
- In-kind gifts (especially goods and services that your organization would otherwise have had to purchase)
- New pledges
- Current pledge balances
- Amount received in pledge payments (sometimes needs to be reported to Accounting separately from new cash)
- Pledge write-offs
- Donation reversals / adjustments

As you build your skills and become familiar with your data and where the trouble spots may be, you'll move your way through a progression of frequency. Daily and weekly reconciliation will become quick and easy, and eventually you may settle on a monthly process.

| Daily | Weekly | Monthly | Annually |

We're often asked how long reconciliation should take. We generally expect one to four hours spent on monthly reconciliation using this method, but this will depend on the volume and complexity of your data.

B. Advanced Process: Conversion Utility

One step beyond manually comparing reports to reconcile development and finance data is the use of a "conversion utility" — a small application that serves as a go-between to translate Common Ground data into something that can be imported into the

financial software. The process goes something like this: a report is exported from Common Ground; the report is imported into the conversion utility; the utility runs its process and exports a file that can be imported into the financial package. Sometimes this conversion tool exists as an add-in or a macro in Microsoft Excel.

This process may sound easy and appealing, but it can be very challenging to set up. The primary challenges are likely to be that the utility would need to be customized to your organization's codes and accounts, and would have to accommodate most, if not all, of the transaction types discussed in the previous section (anything not included would likely be handled manually). There are definitely costs, both financial and in staff time, that make this option a significant investment.

C. Full Integration — It's Not What You Might Think

Reconciliation can be a troublesome topic for some organizations. In recent years, we've heard more and more requests for an automated solution that will transfer the data from the fundraising system to the financial system with no muss and no fuss, no middle step (as with a conversion utility), and no need to print out and scrutinize any reports. While this process is not really "reconciliation," the idea is to cut down on double data entry and staff time spent on this basic housekeeping process.

In our opinion, however, full automated transfer of data is not practical in most cases. It sounds tempting, but in reality, there are many drawbacks that ultimately make it less desirable.

For one thing, finance departments generally don't want data automatically added to the accounting system. They would much rather have the opportunity to review the data before bringing it in to their system. Generally, few people are permitted to add or edit data in the accounting system. With automation, that number expands greatly, perhaps to the level of individual donors. For example, a gift from a donor on your website could be transferred into Common Ground and then into the accounting system with no one ever reviewing it. It's hard to imagine a finance department that would agree to that.

Client Spotlight: Acumen Fund, Inc

Before switching to Common Ground, Acumen Fund had a functional, if bumpy, reconciliation process. This process needed to be recreated and improved in the new system. With a few custom fields and minor modifications to standard reports, Acumen Fund now uses the GL Export utility to produce the raw data on a monthly basis. Acumen Fund turned to an outside vendor to develop a macro in Microsoft Excel that turns the raw data into a file that can be imported into their financial software.

To move to full automation, you must be prepared to invest significantly in a unique customization, especially if either or both systems are configured in an unusual way. It's also important that you spell out the business case for the automation. In our experience, a compelling business need tends to be more obvious in organizations with more complicated General Ledger structures and a high volume of different types of transactions. For organizations like this, an automated solution has a better chance of reducing error and saving time over manual work.

The mapping process of Common Ground transactions to finance software is critical to the success of this type of project. Expect to spend lots of time with your colleagues in the finance department to document exactly how they need each type of transaction to appear in the General Ledger. This mapping process is key to providing the information you'll need to set up Common Ground. Keep in mind that it's possible that the development office might need to change gift entry procedures to accommodate the requirements. Also, discuss what will happen when GL changes are made or when something new is added (new code, new Designation, etc.).

During the setup and mapping phase, expect to expend some effort to get Common Ground to produce a "perfect" file. Since the goal of a project like this is to virtually eliminate manual work, it is more likely that custom fields will be necessary on Designations, Campaigns, and transactions, and perhaps workflow rules added to help maintain data quality. It might require a custom report to extract the data in the correct configuration and file type. Even with these measures in place, it's possible that not all transaction types will be able to be included in this process (adjustments, reversals and write-offs are notoriously difficult to automate successfully).

Use the following chart to identify the top pros and cons for your organization when considering automating data transfer from Common Ground into your accounting software.

Pros	Cons
Saves staff time	Large financial investment means the process needs to be used for a long time to make it worthwhile
Reduces possibility of human error in re-keying data	Large time investment of staff to develop requirements
Finance department gets the information quicker	Loss of control for Finance department on what is added to their system
Auditor would approve, or auditor has requested tighter procedures	Potential undesirable "tweaking" of Common Ground to produce importable file

Pros and cons for automating data transfer from Common Ground into accounting software

Assuming that your organization decides to pursue automated data transfer, two vendors who provide Salesforce integration tools that you may wish to investigate are Pervasive and Boomi. Both of these firms offer paid apps in the Salesforce AppExchange that are highly rated: Pervasive with the "Data Integrator" and Boomi with the "AtomSphere."[2] These tools are designed to integrate Salesforce with various types of external systems.

V. QUICKBOOKS® ESSENTIALS

So far in this guide, we've reviewed general best practices for approaching reconciliation and using the features in Common Ground that are designed to safeguard key financial data. Now we're going to turn to a specific application and apply the best practices.

A. Why QuickBooks?

QuickBooks by Intuit is very popular accounting program for small businesses and small nonprofits. Many Common Ground clients use QuickBooks, and questions about reconciling QuickBooks and Common Ground come up frequently in the Common Ground support lines. However, the information contained in this guide should not be construed as a QuickBooks recommendation for Common Ground clients by either Convio or Heller Consulting.

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[2] This information is not an endorsement of either firm or any of its products.

B. QuickBooks Setup by Nonprofits

As mentioned at the beginning of this guide, we at Heller Consulting and Convio are not accountants or QuickBooks experts. The information presented in this section was gathered through general research and informational interviews. We're providing this information to supply background and context for the next section on producing reconciliation information from Common Ground for use by QuickBooks.

Note that like any off-the-shelf database product, QuickBooks is configurable. Your organization may have QuickBooks set up differently from the following examples. Keep in mind that it's possible that your configuration of QuickBooks and/or Common Ground, if unusual, could impact the ease of developing a reconciliation process.

The primary QuickBooks fields used for organizing financial transactions are **Accounts** (which can have sub-Accounts), **Classes** (which can have sub-Classes) and **Items** (which can have sub-Items). Donors are typically set up as **Customers**, and pledges are tracked as **Invoices**.

Typically, nonprofits set up QuickBooks **Classes** to match the development **Designations** (also known as Funds). The top level Classes could match to the ***net asset classifications*** mentioned at the beginning of this guide: Unrestricted, Temporarily Restricted, and Permanently Restricted. Under each of these Classes could be sub-Classes that name the particular programs, restricted grants, endowment funds, major events, etc. One advantage to using Classes in this way is that a Class can be applied to both income and expenses. And, in general, once Classes are in use, it's best for reporting if they are used on all transactions. (NOTE: If Class will be used in Common Ground so that it's available in reconciliation reports, it would be a custom field on the Designation.)

QuickBooks Classes & Sub-classes	Common Ground Designations
Unrestricted	
Unrestricted	Unrestricted
Annual Gala	Annual Gala
Temporarily Restricted	
Helpline	Helpline
Advocacy	Advocacy
Research	Research
Permanently Restricted	
General Endowment	General Endowment
Research Endowment	Research Endowment

Example of QuickBooks Classes Related to Common Ground Designations

Accounts typically are broken down into three categories: Assets, Liabilities and Equity. These might be bank accounts, mortgages, credit cards, brokerage accounts, etc. This is where **debit and credit account numbers** come into play (as mentioned in the earlier discussion on Common Ground Designation fields). One tip is to create sub-accounts under the checking account for unrestricted and restricted funds (if they are comingled in the same bank account — if not, there would probably be separate Accounts). Another example of an account is Accounts Receivable, which in this context is used for keeping track of pledge payments that are due in the future.

If needed at your organization (not every organization tracks revenue to this level), QuickBooks **Items** can be used to track revenue streams. These Items could be general, such as Direct Mail, Events, Planned Giving, etc., or they could match to the list of Campaigns in Common Ground and make use of general Items and more detailed sub-Items.

VI. COMMON GROUND-QUICKBOOKS RECONCILIATION BEST PRACTICES

A. Common Ground Reports

The reports that are most likely to be used to provide information to QuickBooks are the Financial Reports that do not include reversals: Unposted Donations, Unposted Pledges and Unposted Pledge Payments. In order for these reports to be useful, we highly recommend setting up the Debit and Credit Account Numbers on the Designation records.

Client Spotlight: Colorectal Cancer Coalition

After converting to Common Ground and encountering some reporting difficulties when comparing information from QuickBooks and Common Ground, The Coalition realized it needed a better way to get twice-weekly deposit information into the organization's QuickBooks software. Ultimately, the same information had to be in both systems and reported on in comparable ways. The Coalition customized a Microsoft Excel add-in product that transforms .csv files of donations, pledges and pledge payments (based on a Common Ground report) into a file that is importable into QuickBooks. Along the way, The Coalition realized that some tweaks had to be made in Common Ground to produce a workable file. Implementing this process was challenging, but resolved reporting discrepancies with a reduced amount of staff time spent on executing the process and marking transactions as Posted in Common Ground.

NOTE: If your organization uses Classes and Items in QuickBooks, you will likely want to customize these reports to include the Primary Campaign Source and the Class (which would be a custom field on the Designation). There is a complementary set of reports for reversals: Unposted Reversals, Unposted Pledge Reversals, and Unposted Pledge Payment Reversals.

Once these reports have been accepted by the Accounting Department and any adjustments have been made, these six reports can be used by the GL Export process to mark the transactions as Posted (the actual file produced by the process can be ignored).

B. Feasibility of a Conversion Utility

By this point, you might be thinking that a conversion utility offers the best of both worlds for reconciling Common Ground and QuickBooks. After all, using a utility saves time and improves accuracy over re-keying data into QuickBooks and poring over monthly reports. There is some setup work to do, but not as much as would need to be done to fully automate the process.

There are some considerations to help determine if a conversion utility will be right for your organization:

- Are the relevant codes in both systems used in optimal ways? Unusual coding structures may complicate the process, or force changes to business processes.
- Willingness to do a lot of detailed mapping; understand what the accounting department needs.
- There will be some financial and time investment as well as a testing phase while kinks are worked out of the system.

The tools and technology used to integrate data between QuickBooks and external systems will depend on your version of QuickBooks. Be aware that as technology changes, your choice for an integration utility will likely need to change as well. A conversion utility may be developed as a third party product (as an add-in) or created from scratch by a developer. QuickBooks has a list of developer resources, third-party add-ins and toolkits on their site. A good resource for staying up to date on recommendations for integration options is the Intuit support website http://support.quickbooks.intuit.com/support/.

If you're interested in pursuing a conversion utility as a possible solution for your organization, you might also start with your implementation partner to see if they do this

kind of work. You can also visit the list of authorized Convio Solution Providers for more resources (http://www.convio.com/our-partners/find-a-convio-partner.html).

VII. CONCLUSION

One thing that should not be lost in all the discussions of conversion utilities and automation is that *producing an importable file for accounting is not the same thing as reconciliation.* While it's desirable to reduce the manual work of re-keying data into the accounting software, that's only part of the process. Reconciliation is really about keeping the two systems in balance and is just as much about communication as it is about the technology.
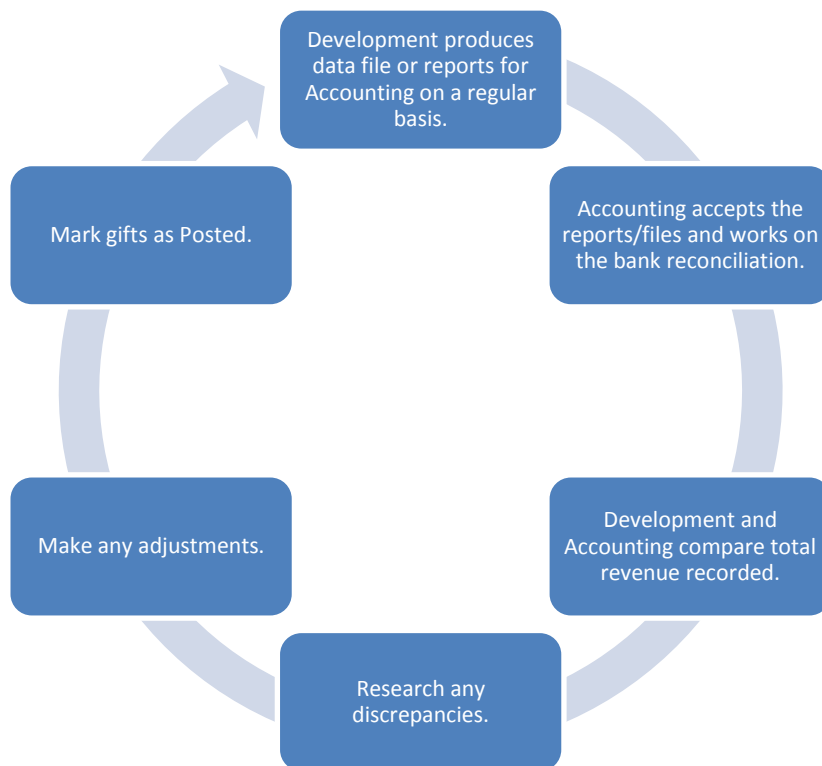
Reconciliation is as much about communication between development and accounting departments as it is about technology.

APPENDIX I: SAMPLE RECONCILIATION PROCESS

As mentioned in this guide, Heller Consulting almost always recommends establishing a reconciliation process by comparing reports and totals with your counterparts in the accounting department on a regular basis, before considering a more automated solution.

Even if this phase lasts only a few months, it's invaluable for consolidating and strengthening both sides' detailed knowledge of financial information. And, if your organization decides to move forward with a more automated solution, you'll have a head start on how codes will need to be mapped, and how transactions need to appear in the General Ledger.

Following is a sample of how a manual reconciliation process might function. It's important to document this process and keep the documentation updated, so that nothing is missed and everyone knows what's expected.

Sample Process

- Reconciliation between Common Ground and the Business Office will take place at least quarterly, before the quarterly Finance Committee meeting. During the busiest fundraising season (September-December), reconciliation will take place monthly, after the bank reconciliation (usually mid-month to late-month).

- During months where monthly reconciliation is not necessary, the reports should still be run and forwarded to the Foundation Accountant.

- **Preparing for Reconciliation**

  o All deposits from the previous month must be made; all Common Ground batches from the previous month must be committed.
  o The Business Office has copies of all signed pledge agreements from the previous month.
  o All adjustments from either side should be made.

- **Reports to be Used**

  o **Financial Reports → 1) Unposted Donations 2) Unposted Pledges 3) Unposted Pledge Payments.** These reports are set to "Last month".

  o Adjustment reports (transfers of funds, bounced checks, declined credit card charges). **Financial Reports → 1) Unposted Reversals 2) Unposted Pledge Payment Reversals**. These reports are set to "Last month".

- o Write-off report. **Financial Reports → Unposted Pledge Reversals**. The report is set to "Last month". Click preview.
- o Outstanding pledge balances: **Pledge and Recurring Gift Reports → Pledges – Active.** This report runs on all active pledges.

- **Resolving Discrepancies**
  The transactions are compared in detail. If Common Ground and the Business Office show differences:

  - o Check that the gift dates are recorded consistently in each system. A gift recorded in one month in one system but another in the other system will cause an imbalance.
  - o Check that all adjustments (bounced checks, declined credit card charge, changes to restricted donations) have been entered in each system.
  - o Check for manual gift entry errors, i.e., entering the wrong gift or pledge amount.
  - o At this point it may be necessary to examine the original documentation from the date in question to locate the error.

- **Posting to the GL**
  After the reconciliation has been completed, the gifts for the month are marked Posted in Common Ground by running the GL Export utility using the reports used in reconciliation. This will lock down the date, amount, designation, and status. After posting, gifts can only be changed through a reversal (see documentation on reversal procedures).