

Non-Profit Entities

Financial Navigator in a Non-Profit Environment

Reporting to both governmental bodies and philanthropic supporters, while providing financial information for management decisions, can be a major challenge for a non-profit bookkeeper. The founders of the organization may be a governmental body or a benefactor who wants to see the non-profit organization pursue a worthy cause.

Effective use of the Chart of Accounts, account qualifiers, and advanced automatic entries are the keys to success.

- Financial Navigator allows the creation of a Chart of Accounts unique to each contract or project using account qualifiers.
- Advanced automatic entries allow the allocation of different types of expenses by different methods.

The account qualifiers provide the tools for preparing Income Statements for an individual project, for a group of projects, or for the entire organization. The reporting options enhance the ability to prepare financial statements and reports board members can understand.

Allocation Methods

There are a variety of methods that can be used to allocate expenses. You may need to use several allocation methods each reporting period to obtain accurate and useful financial statements. All of the following are allocation methods a user can consider:

- An equal amount to each project
- An amount pro-rata to the total budget of the various project budgets
- An amount pro-rata to a specific line item of the various project budgets
- An amount based upon the number of individuals involved
- An amount based upon the time involved
- An amount based upon the space involved

Automatic Entries

An automatic entry can allocate expenses to various projects. If you expect to have numerous disbursements that require a standard allocation, you should create a master automatic entry which has the information required for the allocation. You then copy this master automatic entry whenever you set up a new payee for expenses using this allocation.

For example, you may need an automatic entry to allocate one-third of a type of expense to each department.

To set up a master automatic entry to allocate expenses:

1. Set up the following expense accounts in the Chart of Accounts:

EXPENSE ACCT/DEPT1

EXPENSE ACCT/DEPT2

EXPENSE ACCT/DEPT3

2. Select **Transactions | New Payee/Payor.**
3. Add an entry with the name **One Third Each** and define the entry as a **Payee/Payor.**
4. Select the **Automatic Entries** command button. Select **OK**
5. Enter the following automatic entry:

Account	Action	Chg/Dep	Amount/Memo
*** Multiple Distribution	Enter Amount	Chg	
EXPENSE ACCT/DEPT1	1st Amount x Factor	Chg	.333333
EXPENSE ACCT/DEPT2	1st Amount x Factor	Chg	.333333
EXPENSE ACCT/DEPT3	Remaining Amount	Chg	
	End Entries		

6. Select **OK** twice and **Cancel** to accept the entry and return to the desktop.
7. Select **Transactions | Automatic Entries** and enter **One Third Each**.
8. Select the **Copy to** command button. The system prompts for the name of the new payee to which you want to copy the automatic entry.

9. Enter **Landlord Rental**. Select **OK**.
10. Select **Yes** to add the new payee. Select **OK** and **Cancel**.

Note: *In the above automatic entry you can also use the Action Code **1st Amount x Factor** for line 4 just like the two previous lines. Using **Remaining Amount** is better as it avoids rounding problems that can cause the entry not to balance.*

Income Statements

A problem often encountered when preparing Income Statements by project is that the "sum of the parts will not equal the whole."

To ensure that a group of Income Statements contains all accounts:

1. Prepare the desired Income Statement at the category level without any account qualifier identified. This will give you the income of the "whole" organization.
2. Prepare the same Income Statement at the account level for each project using the appropriate account qualifier.
3. Use an adding machine to total the year-to-date income for all of the projects. This total should agree with the year-to-date income of the entire organization. If it does not, you have one or more income or expense accounts that are not correctly identified with the appropriate qualifier.

Use the Summary Trial Balance to verify that each account is included on one of the project income statements. If an account is not included, it could be due to one of the following:

- A missing account qualifier
- A misspelled account qualifier
- An inadvertent space after the slash (/) and before the account qualifier

Budget vs. Prior Year

Although many small businesses choose to have financial statements that compare current year activity with that of the prior year, non-profit organizations are different. Most non-profit organizations need the actual-to-budget comparison for their reporting requirements.

For contracts that are based upon expense reimbursement, it is essential to know what portion of the contract has already been billed and what remains to be billed.

It is also usual for a new business to use a budget in the first year of operation. At the beginning of the second year in business, a decision must be made between budget and prior year as Financial Navigator provides for only one comparison. If uncertain, select Actual Amounts from Last Year during the process to begin a new year. If you later elect to compare to budgeted amounts, the prior year's actual amounts will facilitate the preparation of a feasible budget.

Alternatively, using the prior year's files, the actual or budget data can be exported to a spreadsheet and a budget prepared for the new year and on an annual basis for subsequent years.

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