

# QuickBooks and Association Accounting

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When looking at any basic accounting program for an association, there are some features that are “must-have.” The program must give managers and Boards enough financial information to properly do their fiscal duty, as well as provide an audit trail at the end of the year. These features include:

- ✔ Report options which allow a variety of financial statements in various formats, including budget-to-actual income statements
- ✔ A full assessments receivable module that will post recurring charges, compute late fees and post income to separate accounts such as assessments, special assessments, late fees, etc.
- ✔ A complete accounts payable module with the ability to print checks, track vendor payments and print 1099's
- ✔ Integrated bank reconciliations
- ✔ The ability to generate an annual general ledger with enough detail for management and for auditing
- ✔ Payroll processing—either included in the module, available online or for use with an outside service

QuickBooks offers the above features and more. Some of the “extras” that we like are:

- ✔ The “drill-down” capability. It's easy to go from a report to the detail behind it
- ✔ The vast amount of add-on software that is written to be compatible with QuickBooks
- ✔ Its ability to e-mail directly from the program
- ✔ Ease of backup—either local or online
- ✔ Fairly seamless integration with Excel—both importing and exporting
- ✔ Cash to accrual reporting options

So, why isn't QuickBooks the solution for all associations? In our opinion, there are three main limitations to using QuickBooks in the Association industry.

- ✘ Inability to easily provide fund accounting
- ✘ Lack of integrated management tools
- ✘ Ability to change data too easily

## Inability to easily provide fund accounting

Industry standard is definitely trending to providing fund accounting financial statements (e.g., Operating and Replacement/Reserve Funds). QuickBooks can provide fund accounting-type of Income and Expense statements but the Balance Sheet still is a single column presentation. There are add-on programs that include this feature. There are also ways to present fund accounting statements in a nontraditional (non-columnar) format. But, each of these options requires additional research, training and consideration.

## Lack of integrated management tools

While financial matters are an extremely important aspect of an Association's existence, much of a manager's and/or Board's time is spent on non-accounting functions; such as sending out violations or collection letters, writing up work orders for vendors or tracking communications with homeowners, vendors and association professionals. Once again, there are add-on programs that might integrate. Since those programs were not written specifically for the Association industry, they need to be researched for compatibility to the Association and the functions that are required.

## Ability to change data too easily

Unless limits are set up, any user can access and easily change transactions—even going back into a prior reporting month or year. QuickBooks does not, as a default, set up limitations that are necessary for adequate segregation of duties, internal controls and protection of the audit trail. When installing QuickBooks there must be careful consideration as to how limitations will be implemented to prevent accidental or unauthorized changes to current and prior period entries, including the use of “closing” a period to protect the integrity of that data.

If QuickBooks might be an option for your Association or management firm, be sure and check out the various QuickBooks programs available—there are several Online versions, an Enterprise version and different levels of the basic QuickBooks program (Pro and Premier). Depending on your facts and circumstances each has advantages and disadvantages. For example, with Enterprise you cannot give a backup copy to your accountant or other QuickBooks user unless they have the Enterprise version. For shared usage between team members, Online or Enterprise might make more sense.

When making the choice to use QuickBooks software, consider using a QuickBooks Pro Advisor, consultant or someone well versed in QuickBooks to help set up the chart of accounts, form templates, basic reports, recurring transactions and control features. QuickBooks is a viable accounting option for Associations, but implementing it requires thorough and careful planning and set up. Of course, that's true of any accounting software. 