



insight

**for non-profit
organisations**

An industry-specific guide
for your MYOB software

MYOB[®]

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Introduction

Non-profit organisations have many specific requirements when running their accounts. They need to be able to track grants, issue receipts, generate budget reports, auspice other groups, report on different cost centres and much more. In this guide, you'll find practical solutions to all these issues, along with lots of ideas and tips on the best way to set up MYOB software.

You might be a childcare centre, conservation group, co-operative or medical research body. Maybe you're a church, employment service, youth centre or wildlife refuge. This guide covers scenarios relevant to all these kind of organisations, and many more besides.

Throughout this guide, you'll also come across case studies where you can read about real-life examples of non-profit organisations. Browse through these case studies to get the big picture of how MYOB software can work for your organisation, and to discover new tips and ideas.

Choosing your MYOB software

For small non-profit organisations, either MYOB BusinessBasics (for Windows) or MYOB FirstEdge (for Macs) provides a perfect starting point. However, if you need advanced financial reports, purchases or inventory reporting, then MYOB Accounting is your best bet.

For organisations with employees, MYOB Accounting Plus, MYOB Premier (for Windows) or MYOB AccountEdge (for Macs) provides the most suitable solution. MYOB Accounting Plus includes payroll, and MYOB Premier and MYOB AccountEdge also provide multi-user capability, meaning that more than one person can work in the software at a time.

Whichever product you choose, if you want to upgrade to another product that's 'further up the family tree', you can do so at any time. You don't need to buy the new software from scratch; you simply pay an upgrade price.

To find out more about these MYOB products, visit www.myob.com.au.

Understanding the essentials

The following steps are a brief guide to getting started, highlighting important information specific to non-profit organisations.

Choosing your financial and payroll years

When you create your first company file, the New Company File Assistant asks you to specify the last month in your financial year. Although this month defaults to June, be careful to check with your accountant that this is the case, as many non-profit organisations have different financial year-ends.

Whatever you select your financial year to be, this will not affect your payroll year, which in Australia always ends in June. All you have to do is specify your current payroll year in the **General Payroll Information** window that appears during payroll setup. Don't be concerned if financial and payroll years end in different months, as MYOB software has no problem with this scenario.

Creating your accounts list

When you create the company file for your business, the New Company File Assistant asks you to build your accounts list, giving you the option of starting with a standard list. There are several templates relevant to non-profit organisations, including associations and clubs; day care centres, educational institutions non-profit organisations and religious organisations. These templates provide sample lists of accounts and are a good starting point. Don't worry if you can't find an accounts list that is perfect - you can add, change or delete as many accounts as you like.

Reviewing your accounts list

Before entering your opening balances, you need to adapt your accounts list so that it suits the unique needs of your business.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories (or, for MYOB BusinessBasics and FirstEdge, there are six categories).

Account Category	What it means
Assets	Things you own, or that people owe you. Includes bank accounts, outstanding customer accounts or grants and new equipment. Asset account numbers start with 1.
Liabilities	What you owe to other people. Includes loans, grants paid in advance, taxes payable and outstanding supplier accounts. Liability account numbers start with 2.
Equity	This is the surplus or deficit that the organisation has made since its inception. Examples of equity accounts include retained profits and capital reserves. Equity account numbers start with 3.
Income	Money in! Includes donations, grants, subsidies and sales. Income account numbers start with 4.
Cost of sales	Cost of sales are any direct costs, such as goods you buy for resale. (Your organisation may not have any cost of sales accounts.) Cost of sales account numbers start with 5.
Expenses	Overheads. The day-to-day running costs of your organisation. Includes wages, electricity, repairs, insurance and so on. Expense account numbers start with 6.

Understanding the essentials

Other Income	Extraordinary income that is not part of normal operations. Could include compensation income, capital gains or interest income. Other Income account numbers start with 8. Note that this account category is not available in MYOB BusinessBasics or MYOB FirstEdge.
Other Expenses	Extraordinary expenses that are not part of normal operations. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with 9. Note that this account category is not available in MYOB BusinessBasics or MYOB FirstEdge.

Checking your preferences

You can customise all MYOB software so that it works for your business the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the Preferences window.

To review your preferences, go to the **Setup** menu, choose **Preferences** and then explore the **System, Windows, Reports & Forms, Banking, Sales, Purchases** and **Security** tabs. Remember—your choice of preferences does not commit you to this for ever and ever, for you can change your preferences at any time.

One preference setting is recommended, especially for new users. Make your company file *changeable*. If you make mistakes, you can correct them, without needing to make complicated reversing journals. To do this, go to the **Security** tab in the **Preferences** window and clear the **Transactions CAN'T be Changed; They Must be Reversed** checkbox.

Setting up opening balances

To enter opening account balances, go to the **Setup** menu, choose **Balances**, and then choose **Account Opening Balances**. Most non-profit organisations don't need to set up outstanding customer accounts, but if you do, then go to the **Setup** menu, choose **Balances**, and then choose **Customer Opening Balances**. To enter opening balances for outstanding supplier accounts, go to the **Setup** menu, choose **Balances**, and then choose **Supplier Opening Balances**.

For your organisation to get up and running, probably the only essential opening balance is that of your bank accounts. Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later.

Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. If your file is going to contain very few transactions, you may be able to fit your backup onto floppy disk. Otherwise, you'll need to have a CD burner or a zip drive.

You might have been lucky so far, but nobody can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organise a system now, you'll probably forget about it until it's too late—and then you'll be sorry.

Recording income

Most non-profit organisations receive the bulk of their income from grants, subsidies and donations. The easiest way to record such transactions is in the **Receive Money** window. However, if you sell items or provide services as well, you may need to create invoices and receipts. The next few sections of this guide deal with these different ways of recording income.

Where do I record the receipt of grants, subsidies and donations?

1. Go to the **Banking** command centre and click **Receive Money** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to the **Bank Register** and select **Receive Money** as the transaction type).
2. Record the **Date**, **Amount** and **Payor** (the **Payor** is the person or organisation from whom you have received the grant).
3. Select an income **Allocation Account**. This will start with 4- and should be called something like "Income from Grant" or "Income from Subsidy". For more information about accounts, see [Setting up income accounts on page 17](#).
4. Enter **Job** or **Category** details, if relevant. For more information about jobs and categories, see [Analysing income and expenditure for different cost centres on page 17](#).
5. Check the **Tax** code and click **Record**. (Don't forget that many government grants include GST.)

Creating an invoice for services provided or items sold

To create an invoice for services provided or items sold, go to the **Sales** command centre and click **Enter Sales** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to the **Sales Register** and click **New Sale**). Next, click **Layout** to choose the most appropriate invoice format.

The service layout is the most common choice for non-profit organisations, as there's plenty of room for descriptions and membership. However, if you create invoices repeatedly for the same service, whether it's rental of a hall, toy library membership, photocopying or staff supervision, then you're best to create 'items' for each of these services and use the item layout.

Item invoices speed up the invoicing process, for when you select an item code from the **Items List**, the description (e.g. Toy Library Membership) appears automatically. Don't worry if this invoice layout includes unnecessary columns, such as the **Backorder** column or the **Job** column, as you can customise your final invoice so that these don't print.

Recording income

Item invoices speed up repetitive invoicing



Changing the look and layout of invoices

With all MYOB software, you can customise your invoices or receipts so that they look exactly as you want them to look. You can change the fonts, add your own logo, draw boxes, add comments and much more. All you have to do is go to the **Sales** command centre, click **Print Invoices** and then click **Customise** (refer to MYOB help for more details on customisation commands).

Below is one possible way in which an account could be customised. Note that although this invoice has been recorded using an Item layout, the printed version doesn't include the **Item Code** or **Quantity** columns.

You can customise your invoice to look just as you want it to look



Recording income

Issuing receipts

If you like, you can issue receipts for money received, rather than a full invoice. Receipts are essentially the same as an invoice, but are generally smaller with less detail. To print a receipt, go to the Sales command centre, record the payment using the **Receive Payments** function, and then click **Print Receipts**.

You can print receipts
customer payments



Creating the same invoice again and again

If you issue identical accounts or receipts to many individuals (maybe you're printing up lots of receipts, each for the same amount, or maybe you send someone the same account every month) you can 'memorise' these account details to make repetitive billing a quick and easy process.

To do this, create your first invoice. However, when you are ready to record it click the **Save Recurring** button instead of **Record**. Name this recurring sale appropriately and click **OK** to return to your original invoice. Now click **Record**.

For the second and subsequent invoices, simply go to create an invoice, click **Use Recurring**, and select your recurring sale. The invoice details will appear automatically. All you need to do is change the customer's name each time (if issuing the same receipt to lots of different people), or change the date each time (if issuing the same account to someone month after month). Click **Record** (not **Save Recurring**) once this is done.

Dealing with expenses

The simplest way to record expenses, suitable for most non-profit organisations, is to go to the **Banking** command centre and click **Spend Money** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to the **Bank Register** and select **Spend Money** as the transaction type).

An alternative way to record expenses, suitable for larger organisations, is to enter all supplier invoices in the **Purchases** command centre when you receive them. Later, these invoices are paid using the **Pay Bills** window. (Note that purchases aren't available in MYOB BusinessBasics or FirstEdge.) This method works well if your organisation pays a substantial amount of accounts each month and needs to keep tabs on how much is owed, but by its very nature is a more complicated way of working.

Recording expenses

To record an expense:

1. Go to the **Banking** command centre and click **Spend Money**. (Or, if you're using MYOB BusinessBasics or MYOB FirstEdge, select **Spend Money** from the **Bank Register**.)
2. Click the **Pay from Account** button in the top-left and select your bank account, or, if you plan to make this payment online, click **Group with Electronic Payments**.
3. For cheques, enter the cheque number in the **Cheque No.** field. For other transactions, such as credit card debits or electronic payments, simply ignore the **Cheque No.** field.
4. Enter the date and amount, and in the **Card** field, enter the name of the person you are paying. If you've never paid this person before, you'll see a list of cards, asking you to select one of them. Either double-click on a name to select it from the list or click **New** to create a new card.
5. Write a brief description in the **Memo** field, if desired.
6. In the **Acct#** column, specify which account this expense should go to.
7. Check the **Amount** is correct. Usually, this amount includes GST, assuming you've marked the **Tax Inclusive** checkbox on the top-right.
8. Fill in the **Job** column if you want to track expenses by particular projects or cost centres. Otherwise, leave this column blank.
9. If you want to include additional information about this transaction, do so in the additional **Memo** column that appears next to the **Job** column.
10. Fill in your **Tax** code, double-check the tax total (this calculates automatically), then click **Record**.

Dealing with expenses

Recording expenditure is easy



Recording a supplier invoice

Non-profit organisations tend to use one of two layouts when recording purchases: either an Item layout or a Service layout. Most purchases, such as advertising, electricity or telephone accounts, are likely to be Service purchases. However, if you purchase goods for resale (maybe you sell T-shirts or other items for fund-raising purposes), then an Item purchase is best.

Here's how to record a purchase:

1. Go to the **Purchases** command centre, click **Enter Purchases**.
2. Click the **Layout** button and select either **Item** or **Service** as your layout.
3. Fill in the supplier name and if required, enter the purchase order number.
4. Check the date and enter the supplier's invoice number in the **Supplier Inv#** field.
5. For item invoices, enter the **Quantity**, **Item Number** and check the **Price**. Enter each line one at a time, making sure the final total tallies.
6. For service invoices, choose your allocation account in the **Acct#** field. Don't worry about detailed descriptions, as they're usually not necessary. A general description such as 'materials' does just fine.
7. Make sure the GST total matches with your supplier invoice, then click **Record**.

Paying suppliers electronically

MYOB M-Powered® payments enable you to make electronic payments to your suppliers directly from your MYOB software. Once you subscribe to this service, you can use your MYOB software to record payments in your company file and then transmit these payments electronically using a secure link. The M-Powered Services Centre in your MYOB software monitors the progress of all payments and, at your request, emails or faxes remittance advices direct to your suppliers.

Dealing with expenses

If you pay more than five suppliers per week, M-Powered payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a supplier (including writing a cheque, printing a remittance advice, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the petrol to the post office, etc.), then chances are that paying a supplier is much more expensive than you think.

M-Powered payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that suppliers are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your supplier's account (whereas cheques are more prone to fraud or getting lost in the mail). Finally, an M-Powered Services Centre keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

To subscribe to M-Powered payments, all you have to do is click the **M-Powered Services Centre** icon that appears on the bottom-right of every command centre. (Note that M-Powered payments are only available for MYOB Accounting, MYOB Accounting Plus and MYOB Premier.)

For more information about M-Powered payments, how to subscribe, the current pricing structures, and to read the Product Disclosure Statement, visit www.myob.com.au/m-powered/.

Organising petty cash

The amounts may be 'petty' in regards to your petty cash tin, but that's not to say you won't have difficulty getting it to balance. Here's a method that's fool-proof for almost any organisation:

1. Start off with a float, say \$200. Write a cash cheque for this float, and allocate this cheque to an asset account called 'Petty Cash'. If you don't have an account by this name already, create one now, remembering to select **Bank** as the **Account Type**.
2. Whenever employees take money out of the tin, get them to give you a receipt in exchange. Store these receipts in the tin.
3. Now, add up the receipts and work out which expense categories they belong to. Then go to the **Spend Money** window but this time *change the bank account* at the top to read **Petty Cash**. Complete the payment, allocating it across several allocation accounts and several amounts. Click **Record** when you're done.
4. When funds in the tin get low, write out a cash cheque to top the tin back up to its original float value. For example, if you have a \$200 float but there's only \$4.50 left in the tin, write out a cash cheque for \$195.50. Make the payment from your cheque account and allocate this cheque to **Petty Cash**.

Dealing with expenses

Recording petty cash



Tracking assets and depreciation

Many non-profit organisations end up owning a diverse range of assets (furnishings, computers, books, motor vehicles, etc) and for insurance and depreciation purposes will need to maintain an asset register. MYOB AssetManager Pro provides the perfect solution.

MYOB AssetManager Pro is designed in a way that looks and feels similar to other MYOB software, with similar account numbering and structures. You can keep an organised record of your assets, as well as calculating monthly and annual depreciation figures. AssetManager can track assets by location, cost centre or any other way you choose, and keep a detailed log of service calls for equipment.

Visit www.myob.com.au/products/assetmanager_pro/ to find out more about MYOB AssetManager Pro.

Reporting on fundraising activities

Most non-profit organisations do some form of fund-raising. The next few sections of this guide explain how to set up an items list for things you buy and sell; tracking where donors or pledges come from and analysing the success of individual fund-raising drives.

Creating an items list for things you buy and sell

Some non-profit organisations buy items to re-sell, either to the general public or via mail-order to members. MYOB software makes it easy for you to track the income and expenditure from these sales.

The simplest approach is to create a description and price for each item in your Items List. When you create these items, mark the **I Sell This Item** checkbox only, and select an appropriate income account. This way you can raise receipts easily and efficiently and if desired, generate sales reports for each item sold.

The more complex approach is to keep track of quantities on hand, so that you record every unit bought and sold. When you create these items in your Items List, mark the **I Sell This Item, I Buy This Item** and **I Inventory This Item** checkboxes. This approach is more time-consuming than simply tracking what you sell, but proves to be an efficient way of monitoring stock levels, generating re-orders and keeping an eye on costs.

Tracking the referral source for donations and fundraising

You can track the referral source for all donations and fundraising. For example, if you're running a radio campaign asking for members of the public to make donations, when you record the income from these donations (assuming you're using sales), you can enter 'Radio Campaign' as the **Referral Source**.

If you note the referral source in this manner for all donations received, you can call up a Sales Referral Source report at any time.

Tracking donation income according to referral source



Reporting on fundraising activities

Reporting on income from particular fundraising activities

The easiest way to see how much income a particular fundraising activity generates is to set up a job for it (see [Creating jobs and categories on page 18](#) for details). For example, if you were selling raffle tickets, you could create a new job in your **Jobs List** called “R” for raffle. Every transaction that related to the raffle (including raffle sales as well as the expenses of printing raffle tickets) would be coded with “R” in the **Job** field. Once complete, you can create lots of different reports, including a **Job Profit & Loss** report, which would show summary income and expense totals for the fundraising activity, displayed along with a final net profit.

Case Study – Wildplant Rescue

Business Name:

Wildplant Rescue

Overview:

Wildplant Rescue is a local conservation group propagating and selling indigenous plants to the community. They run MYOB BusinessBasics.

Wildplant Rescue is a non-profit organisation run by a group of committed volunteers and one paid horticulturalist. They rent premises next to the National Parks Office and three days a week, members of the public visit to purchase plants and ask for advice.

Wildplant Rescue has a very simple setup for their accounts. When they make sales, volunteers issue hand-written receipts and once a week, do the banking. The treasurer checks that total receipts match with the banking and simply works from the bank statement, recording each deposit as income. Most expenses are paid for by cheque and the treasurer records these transactions in the Bank Register.

Recording transactions in this way is enough to produce simple Income and Expenditure reports for the committee. Last year, when they received a one-off capital works grant to purchase a new greenhouse, the treasurer recorded all associated expenses using the job code 'Green', so that at the end of the project she could print a detailed acquittal report for the funding body.

Analysing financials in more detail

Jobs and categories (available in MYOB Accounting, MYOB Accounting Plus, MYOB Premier and MYOB AccountEdge) offer an additional level of analysis in your financial reporting. Both jobs and categories provide an easy way to track the income and expenditure for different cost centres within your organisation.

Here are some ways in which different organisations take advantage of jobs and categories:

- Your organisation might administer several different grants and need to report on the expenditure and funds remaining for each grant. You could do this by creating a unique job number for each grant.
- Your organisation might provide various services, e.g. after hours childcare, Meals on Wheels and transport for the handicapped. You could analyse the income and expenses for each of these services by creating a unique job number for each service you provide.
- Your organisation might operate in more than one location, e.g. an information service in several different towns. You could report on the running costs of each location by creating a unique category for each one.
- Your organisation might auspice the funds of another organisation. By creating a category for this other organisation, you can create the necessary balance sheet and income/expenditure reports.

Creating jobs and categories

To create a new job, go to the **Lists** menu, choose **Jobs** and then click **New**. Enter a **Job Name**, **Job Number** and a short description, if required. This is usually enough information to get started with (additional fields such as **Start Date**, **Finish Date** and **Manager** aren't essential). Click **OK** to return to the **Jobs List**.

To create a new category, you first need to turn on category tracking. Go to the **Setup** menu, choose **Preferences**, and then click the **System** tab. Mark the **Turn on Category Tracking** checkbox. Next, go to the **Lists** menu, choose **Categories** and then click **New**. Enter a **Category ID**, **Category Name** and a short **Description** if required.

If you want to be forced to enter a category for every transaction, select **Categories are Required** rather than **Categories are Not Required** when switching on category tracking in your system preferences.

You can create both header and detail jobs



Job ID	Job Name	Income	Exp	Expense	Net Profit/Loss
118	PLA (Impoverished)	\$1,180.00	\$140.00	\$1,040.00	\$1,040.00
119	Christmas Dinner	\$1,040.00	\$140.00	\$900.00	\$1,040.00
117	Subs.com	\$800.00	\$0.00	\$800.00	\$760.00
120	Subs.com (Impoverished)	\$2,200.00	\$260.00	\$1,940.00	\$1,040.00
125	Subs.com Fee	\$1,000.00	\$260.00	\$740.00	\$1,040.00
127	Volunteers	\$100.00	\$0.00	\$100.00	\$75.40
128	Subs	\$0.00	\$0.00	\$0.00	\$176.10

Analysing financials in more detail

Deciding between jobs and categories

If you're unsure of whether to use categories or jobs for something, bear the following in mind:

- You can split a single transaction across several jobs, but you can't select more than one category for a single transaction.
- Jobs can be grouped in a way similar to general ledger accounts, with both **Header Jobs** and **Detail Jobs**, meaning that you can have cost centres within cost centres.
- You can print a Balance Sheet for each category, but you can't print a Balance Sheet for each job. Balance Sheets are particularly important for funds reporting. See [*Auspicing funds for other groups on page 20*](#) for more details.

Reporting on particular grants

A requirement of many grants is that you provide a detailed acquittal report of all funds received and disbursed. The easiest way to do this is to set up a job for each grant. For example, if you received a Library Grant, the solution in this situation would be to create a new "job" in your Jobs List called "L" for library. Every transaction that related to the library would be coded with "L" in the Job field. Once complete, you can create lots of different reports, including:

- A Job Profit & Loss report, showing summary expense totals for the project, displayed in standard Profit & Loss format.
- A Job Activity Detail report, showing details of every payment made during the project, grouped according to the expense category.
- A Job Inquiry report, showing details of every payment made during the project, grouped in date order.
- A Jobs [Budget Analysis] report, comparing actuals to budgets, and displaying variances.

Auspicing funds for other groups

Sometimes one government body is asked to 'auspice' a grant for another government body or community group. For example, a local tennis club may receive a grant for \$10,000 but this grant is given to the Community Health Centre to administer.

The concept of auspicing means that the grant does not belong to your organisation. If you wish to track a grant that has been given directly to your organisation, refer instead to [Reporting on particular grants on page 19](#).

Auspicing large grants with many transactions

If you are auspicing a large grant (or multiple grants) that has many transactions and its own bank account, the best approach is to create a separate company file for that grant. For example, if the local neighbourhood centre were to auspice the funds for the after-school care program and this program has its own bank account, employees and premises, it makes sense to create a new company file exclusively for after-school care transactions.

Auspicing smaller grants that don't have their own bank account

If there are only a few transactions relating to a grant and it does not have its own bank account, the best approach is to include these transactions in your organisation's company file. The most efficient way of doing this is to set up a *category* for the auspiced organisation (note that categories are not available in MYOB BusinessBasics or MYOB FirstEdge). To set up categories, see [Creating jobs and categories on page 18](#).

This complete, all you have to do is remember to complete the category field for every transaction that relates to this grant. You can see how a cheque written on behalf of the tennis club might look in the screenshot below.

Auspicing funds for other groups

Using categories to track transactions for auspiced funds



Once you have recorded a few transactions, you'll be able to print a range of reports. Within the **Accounts** tab in the Index to Reports window, you can print a Category Profit & Loss report, a Category Balance Sheet or, for details of all transactions, sorted by allocation account, a Category General Ledger Detail report. (If you find that the Payee rather than the Memo appears on this report, go to the **Setup** menu, choose **Preferences** and then click the **Banking** tab. Clear the **Display Payee, Rather than Memo, in Registers** checkbox.)

A Category Profit & Loss report is the perfect way to report on auspiced funds

Income		
Grant from Supply NSW	\$10,000.00	\$10,000.00
Total Income	\$10,000.00	\$10,000.00
Expense		
Accounting Fees	\$95.45	\$95.45
Bank Charges	\$25.00	\$25.00
Capital repairs	\$6,472.73	\$6,472.73
Repairs & Maint	\$216.19	\$216.19
Insurance	\$230.00	\$230.00
Wages & Salaries	\$1,200.00	\$1,200.00
Superannuation	\$110.00	\$110.00
Total Expense	\$9,481.36	\$9,481.36
Net Profit (Loss)	\$518.64	\$518.64

Incidentally, your organisation may have used the jobs feature up until now to report on auspiced funds. Jobs work well and have the added benefit that you can create budgets, but unfortunately, you can't generate a Job Balance Sheet report. The ability to create a Balance Sheet for auspiced groups is the main reason why categories are preferable to jobs.

Setting up budgets

All MYOB software programs have the ability to set up budgets, compare budgets against actuals, send reports to Excel and more. It's worth taking time to figure out what reports your organisation needs. You can either use one of the existing budget reports or find the one that's closest to what you want and send it to Excel.

Creating monthly budgets

To enter a budget for an account, first go to the Accounts command centre and click Accounts List. Double-click an account for which you wish to create a budget, then click the Budget button.

Entering monthly budgets

Activity	Last Year	This Year	Budget
July	\$0.00	\$170.00	\$5,400.00
August	\$0.00	\$5,820.00	\$5,400.00
September	\$0.00	\$5,181.00	\$5,400.00
October	\$0.00	\$2,495.51	\$5,400.00
November	\$0.00	\$4,219.27	\$5,400.00
December	\$0.00	\$0.00	\$5,400.00
January	\$0.00	\$0.00	\$5,400.00
February	\$0.00	\$0.00	\$5,400.00
March	\$0.00	\$0.00	\$5,400.00
April	\$0.00	\$0.00	\$5,400.00
May	\$0.00	\$0.00	\$5,400.00
June	\$0.00	\$0.00	\$5,400.00
12m Period	\$0.00	\$0.00	\$0.00

If your budget for a particular account is the same each month, click **Shortcut**. Here you can enter the monthly amount just once, completing the whole year's budget automatically.

To look at budget reports, go to the **Analysis** menu in the **Command Centre**, select **Profit & Loss**, click **Filters** and choose to compare budgets to actuals.

Creating annual budgets

Many non-profit organisations don't budget on a monthly basis, but on an annual basis. During the year, they compare how much of their annual budget has been used up, and the value of funds remaining.

To do this, all you have to do is enter your entire annual budget for each account in the first month of the year. For example, if your annual budget for telephone expense was \$3,000 and your financial year ran from January to December, you would enter the entire budget amount of \$3,000 in January. This way, the Budget Analysis report tells you throughout the year what percentage of your budget had been consumed.

If you require greater flexibility in the presentation or layout of your budget reports, it's easy to send the report that's closest to the one you want to Excel. Simply display the report, click the **Send To** button and select Excel. Excel will open automatically, load the template, and display the report. You can then change report titles, cut and paste columns or rows, add colours, convert the report to graphs, or whatever you like!

Non-profit organisations relying on extensive budget or cashflow reports may also want to check out Twokeys, a third party product that links with MYOB software, providing even more sophisticated budget and cashflow forecasting features.

Creating annual budgets for different grants

To create an annual budget for different grants, the best approach is to create a unique Job number for each grant (see [Reporting on particular grants on page 19](#)). To enter budget details for each job go to the Jobs List, highlight the relevant grant and click Budgets. The list of accounts which follow allow you to enter a total budget for all relevant income and expenses.

This budget will be a budget for the entire period of the grant and doesn't set itself to zero when you start a new financial year. The great thing about this is that if your grant spans across a financial year end (perhaps your financial year runs from January to December but the grant runs from March to February), all budget totals will carry forward.

However, if you have a grant that renews each year and for which the budget changes, you will need to return to the **Jobs List** and edit the budget figures at the beginning of each year.

Adapting budget templates in Excel

As mentioned above, you can send any budget report directly to a template in Excel, ready to adapt to your specific needs. If you find that you're making the same changes in Excel every time you generate a new budget report, it may be more efficient to adapt the Excel template itself.

For every report in your MYOB software, there's a corresponding Excel template (found in the Spreadsht folder of your MYOB program folder). Essentially, a template is a 'shell document' that has preset formatting, headers, footers, margins, etc. People use templates for lots of reasons, but most of the time they use them to create standard formats for reports or letters that they can use again and again, without having to retype or redesign the document each time. (You can identify Excel templates because they all end with the letters 'xlt', whereas regular Excel documents end with 'xls'.)

You can find lots of detail about modifying Excel templates at www.myob.com.au/support/. However, probably most important to remember is that the final version of your customised template should preferably keep the original filename, and the template must be saved as a template, with an '.xlt' extension. If you change the name of a template, every time you try to generate the corresponding report in your MYOB software, you'll get a message that the template cannot be found, and you will be asked to locate the desired Excel template.

Accounting for tricky situations

Many non-profit organisations don't have an even stream of money throughout the year. Income fluctuates on a monthly basis, with both grant income and capital expenditure occurring on an irregular basis.

Allocating lump sum funding evenly throughout the year

Many non-profit organisations receive their funding in one lump sum at the beginning of the year. This is great for cashflow, but tends to distort Profit & Loss reporting; one month of the year shows an enormous profit, but all the other months show a substantial loss.

To show funding income evenly throughout the year, do the following steps:

- 1 First, create a new liability account called "Unused Funds".
- 2 When you receive a lump sum of funding, go to the **Receive Money** window and allocate the funding to this Unused Funds account.
- 3 Divide this lump sum by twelve (or by however many months it is meant to cover) to establish the real amount of income you receive each month.
- 4 Go to the **Record Journal Entry** window (accessible from the Accounts command centre) and create a journal that **Debits** your Unused Funds account and **Credits** your Income from Funding account, as shown below.
- 5 Click **Save Recurring** to save this journal as a recurring monthly journal.

Allocating lump sum funding evenly throughout the year



Each month, record this general journal. At the end of the funding period, the balance of your Unused Funds account should be zero.

Accounting for tricky situations

Accounting for unused grant money at end of year

Unused grant money (usually referred to Unearned Income or Unexpended Grants) is an important consideration for many non-profit organisations at the end of each financial year. For example, if you receive a 12 month grant in September and your financial year ends in December then you will still have 8 months of your grant “to go”.

Strictly speaking, this unused grant money is a liability for your organisation and you need to show it as such. Here’s what to do:

- 1 Go to the **Accounts List** and create a new **Liability** account called “Unearned Income”.
- 2 Calculate how much grant allocation you need to carry forward to the next financial year. This is the amount of Unearned Income you need to show in your Balance Sheet.
- 3 Next, go the **Accounts** command centre and click **Record Journal Entry**.
- 4 On the first line of this journal **Debit** the income account to which you allocated the grant when it was received initially. This will be a **4-** account and should be called something like “Grant Income”.
- 5 On the second line of this journal **Credit** your “Unearned Income” account.

Note that once you have started a new year, you will need to “reverse” this journal. Go to the **Record Journal Entry** window and date it the first day of your financial year. This time you’ll need to **Debit** your “Unearned Income” account and **Credit** your “Grant Income” account.

Allowing for sinking funds or building provision funds

Many non-profit organisations create sinking funds or building provision funds so that they can provide for future large expenses. Usually these amounts are transferred to a separate bank account and an expense account is debited for the amount of the provision.

Here’s what to do:

- 1 If the sinking fund has its own bank account, create a new asset account in the Accounts List called “Sinking Fund” or something similar. Select **Bank** as the **Account Type**.
- 2 When money is transferred to the sinking fund, go to the **Spend Money** window and select the **Sinking Fund** as your **Allocation Account**.
- 3 Next, go the **Accounts** command centre and click **Record Journal Entry**.
- 4 On the first line of this journal **Debit** an expense account called “Building Maintenance Expense”, “Repair & Maintenance Expense” or something similar.

Accounting for tricky situations

- 5 On the second line of this journal **Credit** a liability account called “Provision for Building Maintenance” or “Provision for Repairs & Maintenance” or something similar.

This journal will show repairs and maintenance as a consistent expense from year to year, regardless of when these repairs are actually carried out.

When you withdraw funds from your sinking fund to pay for repairs, go to the **Spend Money** window and select the sinking fund as the bank account from the drop-down list at the top left. Enter your liability account (e.g. Provision for Building Maintenance) as the **Allocation Account**.

Non-profit organisations often have reporting requirements that differ from those of regular businesses. The follow sections of this guide talk about income and expenditure reports, cash reporting, custom reports and preparing for an audit.

Creating income and expenditure reports

Non-profit organisations often expect income and expenditure reports, rather than profit & loss reports. Although the only difference between these two reports is terminology, it's worth taking the time to present financial reports in the format with which your committee or director is most comfortable.

The easiest way to create an income and expenditure report is to display your Profit & Loss, and click the **Send To** button. Select **Excel** and, after a few seconds, you'll see this report open up in Excel. From this point, all you have to do is change the terminology. Change the heading of 'Profit & Loss' to 'Income and Expenditure'; 'Operating Profit' to 'Operating Surplus'; 'Operating Loss' to 'Operating Deficit' and so on.

'Send reports to Excel so that you can customise them further'

Income & Expenditure Report	
(01/12/00 through 30/11/00)	
Account Name	Year To Date
Income	
Grant from Sports NSW	\$10,500.00
Expense	
Accounting Fees	\$85.45
Bank Charges	\$35.00
Capital repairs	\$8,472.73
Repairs & Maint	\$218.16
Insurance	\$730.00
Wages & Salaries	\$1,200.00
Superannuation	\$110.00
Total Expense	\$10,861.34
Deficit from grant	(\$361.34)

Reporting on a cash basis

Sometimes non-profit organisations request that the Income & Expenditure report be cash-based, so that the Operating Surplus or Deficit shown on this statement is exactly the same as the difference in the bank account balance for that period.

Within the **Accounts** tab of the **Index to Reports** window, you'll see that you have a choice between producing a **Profit & Loss [Accrual]** report or a **Profit & Loss [Cash]** report.

The Profit & Loss [Accrual] report shows all income as soon as you create a sale, and all expenses as soon as you create a purchase. This report is good for seeing the 'true' profitability of your trading. The Profit & Loss [Cash] report only shows income when you receive payment for a sale and only shows expenses when you make a payment for a purchase. This report is good for showing where the cash came in and then where it went.

When working with cash-based reports, do talk to both your committee and your auditor about what their expectations are. For example, if you purchase a \$10,000 van and allocate this expenditure to an asset account, the \$10,000 won't show up in your Profit & Loss report, regardless of whether it's cash or accrual. For this reason, you may be best to allocate purchases of capital items to an expense account for the purposes of monthly reporting, even if your auditor re-allocates this to an asset account when preparing end-of-year financial reports.

Generating custom reports

If you find that you're regularly sending reports into Excel and then manipulating the information, it may be worth commissioning a custom report. Custom reports extract key information out of your MYOB company file and re-organise this information in a spreadsheet, word processor or database (depending on your preference and the complexity of information required).

There are several ways to generate custom reports:

- Probably the most practical approach is to contact an MYOB Certified Consultant who has skills in writing custom reports. Most custom reports only cost a few hundred dollars to write, which is very cost-effective considering the programming skills and development software required. To find out more about Certified Consultants, visit www.myob.com.au/support/ccmembers/.
- On the other hand, if you're interested in learning some of the more advanced features of Microsoft Excel and Word, then you'll find that MYOB ODBC Direct opens doors to creating a varied range of simple reports. MYOB ODBC enables a 'one-way' extraction of data from your company file, meaning that other applications such as Microsoft Word, Microsoft Access, Crystal Reports and Filemaker Pro can 'see' the data in your company file, extract it into their own format, and then manipulate it through queries. To find out more about MYOB ODBC Direct, visit <http://d2d.myob.com.au>.
- Moving further along, MYOB ReportWriter relies on a custom version of MYOB ODBC Direct to help you generate your own custom reports, working with the data in your MYOB company file. Although MYOB ReportWriter facilitates the learning process for fledgling programmers, you'll need some understanding of relational databases and of the MYOB company file structure. Visit www.myob.com.au/products/reportwriter/ to find out more.
- MYOB BusinessAnalyst functions as an intelligent viewer for ReportWriter reports, meaning that you can enjoy the benefits of custom reports without having to purchase MYOB ReportWriter or create your own reports. In a way, BusinessAnalyst is like working with lego: once you have a pile of blocks, you can move them around and manipulate them. Building reports becomes easy, even fun. However, if a new

block is needed (a different kind of report, drawing on different data), then you have to ask the 'factory' (ReportWriter) to do it for you. Visit www.myob.com.au/products/businessanalyst/ to find out more.

Preparing accounts for your auditor

Every organisation has different requirements that they must fulfil in order to prepare final accounts for their auditor. The best approach is always to work closely with your auditor, making sure you provide the information in the format that's easiest for them to understand. However, here are a few general tips that apply to most situations:

- An auditor focuses first on verifying every item on your balance sheet. So, before you send your accounts, go through every account on your balance sheet and make sure it makes sense. In particular, don't forget that bank accounts and investment accounts should be reconciled (and remember to record the interest on investments!).
- Most auditors will have MYOB software on their system and be able to read your file. Simply back up your company file onto CD or zip disk, or, if your file is relatively small, email them a copy.
- If your auditor doesn't have MYOB software, print a General Ledger Detail report for the whole year, a Transaction Journal [General Journal] report for the whole year and a Trial Balance as at the last day of your financial year.
- If you forget to print a receivables or payables listing on the last day of your financial year, don't despair. You can print a Receivables Reconciliation Summary or a Payables Reconciliation Summary with the last day of your financial year as the date.
- Always print a Bank Reconciliation report on the last day of your financial year before progressing to subsequent reconciliations.

Case study – Earth Foods Co-operative

Business Name: Earth Foods is a local health food co-operative, based in country NSW.

Overview: Earth Foods use MYOB RetailManager and MYOB Premier.

Earth Foods started from humble beginnings twenty years ago, but has now grown to be a fairly large operation, selling organic foods and fresh produce to the local community. They have eight part-time employees and an active management committee.

For many years, Earth Foods struggled by with a simple cash register adorned with only three buttons. However, with the advent of GST, they purchased MYOB RetailManager to manage point-of-sale, a system that has helped them to provide improved service to members, fine-tune their profit margins and reduce out-of-stock items.

Being a non-profit organisation, Earth Foods run on minimal profit margins, and indeed, as they have grown more successful, they have repeatedly reduced their margins, especially on fresh produce. However, these small margins mean that the committee have to be vigilant that small monthly surpluses don't turn into deficits. Prompt monthly financial reports straight from MYOB Premier help them to monitor results.

The bookkeeper is a part-voluntary position and prefers to work from home. She dials up into the shop computer using her broadband connection and works on the accounts, paying employees, supplier accounts and other expenses. To keep operations as efficient as possible, she tries to do as she can by electronic transfer, including employee superannuation, pays and supplier payments.

MYOB software makes accounting for GST about as easy as something so complex could be. So long as you record all your transactions and allocate the right tax code to each one, there's not a great deal that can go wrong. The main thing to remember is to allocate the right tax code when recording transactions. This done, everything else should fall into place.

Recording GST on income and expenses

Whenever you record a transaction, you can choose whether to enter the amount as tax-inclusive or tax-exclusive by toggling the **Tax Inclusive** checkbox in the top right of every window. (When recording payments or receipts in MYOB BusinessBasics and MYOB FirstEdge, you will need to click the **Split** button in order to view this option.)

Usually, you'll find it easiest to mark the **Tax Inclusive** checkbox and enter all amounts including tax. You'll find that the GST calculates automatically and you don't have to go looking up every receipt to double-check the tax total.

You can make life easy for yourself by going to the **Accounts List** and, one by one, double-clicking each account and checking the linked **Tax Code**. By linking all income and expense accounts to the most appropriate tax code, the correct codes pop up automatically whenever you record sales, purchases or Spend Money transactions.

Most non-profit organisations find that they only need six tax codes: CAP; FRE; GST; ITS; N-T and QUE.

To review your codes, go to the **Lists** menu and choose **Tax Codes**. Comparing your list with the list shown below, delete any codes you don't need (they'll only serve to cause confusion) and add any codes that are missing. For all tax codes, the **Linked Account for Tax Collected** field should be GST Collected from Sales and the **Linked Account for Tax Paid** field should be GST Paid on Purchases. Once you're finished, your tax code list should look similar to the one below:

Keep your Tax Code List simple and you're less likely to make mistakes



Code	Description	Tax Type	Rate
FRE	GST Free	Goods & Services Tax	0%
GST	Goods & Services Tax	Goods & Services Tax	10%
BNP	Input taxed purchases	Input Taxed	0%
ITS	Interest income, rental income	Goods & Services Tax	0%
N-T	Not Taxable	Goods & Services Tax	0%
QUE	Queensland	Goods & Services Tax	10%

What do the different codes mean? Here's an explanation:

CAP (GST on capital acquisitions)

If you're not part of the Simplified Tax System (which is the case for many non-profit organisations) then you need to report all capital acquisitions (new equipment, furnishings or vehicles) separately on your Business Activity Statement. To do this, you need a separate tax code called CAP.

If you are part of the Simplified Tax System then you need to report all capital acquisitions (new equipment, furnishings or vehicles) that cost more than \$1,000. To do this, you need a separate tax code called CAP.

If you're not sure whether or not you're part of the Simplified Tax System, ask your auditor or accountant.

FRE (GST-free goods and services)

Use FRE as your tax code if you supply any GST-free services or if you purchase GST-free supplies such as bank charges, donations, GST-free food or government charges. If you employ any subcontractors who have an ABN but aren't registered for GST, use FRE as the tax code for their payments.

GST (Goods and Services Tax)

GST is the tax code that you'll use for most sales and purchases.

ITS (input taxed sale)

Use this code for interest income.

N-T (not reportable)

N-T stands for not reportable and is the code you use for everything that falls outside the GST net, such as wages; superannuation; loan repayments and bank transfers.

QUE (query)

Use the query code whenever you're not sure what code to use. That way, when you get to the end of the quarter, you can print a report for all transactions coded QUE and ask your accountant or MYOB Certified Consultant to give you a hand choosing the correct codings.

Deciding what codes to use when

One of the tricky things when first recording income and expenses is to figure out what tax code to use when. Here are tips to help you out, written especially with non-profit organisations in mind:

Income

- For income from donations, subsidies or grants that are GST-free, select FRE as the tax code. For income that attracts GST (and remember that even government grants usually include GST), select GST as the tax code.
- Interest income should have ITS as the tax code.

Expenses

- Most expenses should have GST as the tax code, including things such as advertising, electricity, postage and telephone.
- Capital acquisitions should have CAP as the tax code.

- Donations should have FRE as the tax code, as should almost all bank charges and interest expense.
- Government charges are almost all GST-free, and include licence renewals, motor vehicle registration, council rates, water rates, land tax and stamp duty.
- Insurance is tricky, because almost every insurance policy is a mixture of taxable and tax-free (stamp duty doesn't have GST on it). Enter QUE as the tax code for insurance expense, then double-check the exact amount of GST on every insurance payment when you record it.
- Milk, tea, coffee and some first aid supplies should have FRE as the tax code.
- Residential rents should have ITS as the tax code, commercial rent should have GST as the tax code.
- Subcontractors should have GST as the tax code. However, if your organisation employs any subbies who aren't registered for GST, but have an ABN, record these expenses as FRE.
- Superannuation should have N-T as the tax code.
- Travel within Australia should have GST as the tax code; overseas travel should have FRE as the tax code.
- Wages should have N-T as the tax code.