

COLUMBIA UNIVERSITY CLUB OF CHICAGO ACCOUNTING SOFTWARE UPGRADE: BPI CASE STUDY

I. Project Description

The Columbia University Club of Chicago (CUCC), a not-for-profit entity, was revived in June 2009. Google Docs' gratis version was used for all of the accounting. A simple workbook was created with one tab containing a spreadsheet that tracked the club's Chase Business Classic checking account. All other tabs included an accounting of income and expenses from membership dues and the various events CUCC hosted, in addition to the club's administrative costs. As CUCC welcomed its 227th member after just a year and a half post-revival, it had outgrown the functionality of Google Docs. Manually creating P&L reports based off of the spreadsheets had become too laborious and time consuming for the club's treasurer. Additionally, formulas and other spreadsheet features were constantly at risk of accidental deletion due to human error. It was suggested at the 10/12/2010 Board of Directors' meeting that the club upgrade to new accounting software. After consulting with Holly O'Connor, CPA, a founding partner of True Partners Consulting LLC, and a tax professional with over 25 years of business experience, it was decided to migrate all of CUCC's accounting data to QuickBooks Pro 2011.

II. Old Process

As payments and deposits were made through CUCC's checking account, the treasurer logged onto his Google account and opened the 2010 CUCC Finance workbook, which was shared with the club's president, Chris Stacey, and the vice president, Matthew Porter. All changes to the workbook's spreadsheets took place virtually, in the "cloud", and physical backups took place at least once a month to the treasurer's personal external hard drive. As mentioned before, all CUCC events had their own spreadsheet, and every time a ticket was purchased, the gross ticket sale, PayPal fee, and net ticket sales amounts were recorded, together with the customer's name. There was also a section on the event's spreadsheet for the expenses of the event, such as venue rental and food. A formula was setup on the spreadsheet to track whether or not the club was breaking even on the event. Administrative costs, such as Website services and marketing and promotion, and membership dues collected, were tracked in other spreadsheets within the same workbook. PayPal was (and is) the main vehicle through which CUCC received its income. Online forms were (and still are) created with Infinity Box Inc.'s Wufoo online form builder, and PayPal was integrated into the Wufoo forms. After money accumulated in the PayPal account, it was directly deposited/transferred to the Chase account.

III. Problems with the old process

1. All CUCC financial data was in the Google "cloud", and was only physically backed up once a month.
2. While breeches of privacy had not been an issue, storing all of CUCC's financial information on someone else's server was worrisome.
3. An Internet connection was necessary to interact with the CUCC finance workbook. There was no way to work off-line unless the workbook was downloaded from Google, modified, and then uploaded to the Google cloud.
4. As with any spreadsheet application, any mis-typing could have permanently deleted or corrupted important data and formulas.

5. As the number of club events grew, so did the number of spreadsheets in the workbook. This created an unwieldy number of tabs in the CUCC finance workbook. Data was not easily accessible.
6. Comments were inserted in some of the spreadsheets' cells, and whenever the workbook was downloaded, these comments would sometimes get deleted.
7. Logging in each individual ticket sale from an event, each administrative cost, or each membership purchase was tedious, and sometimes required visiting three Websites (Wufoo, Gmail, and PayPal) to ensure that the information was correct. Additionally, the president maintained his own spreadsheet of income received from each event, which meant that duplicate work was being done.
8. When a treasurer's report was assembled, based on the data in the workbook, each spreadsheet in the workbook needed to be reviewed, and gross totals, PayPal fees, and net totals were copied to the treasurer's report for presentation. Google Docs does not have a robust reporting feature.
9. Complex queries based on multiple variables and data points are not possible in Google Docs.

IV. New Process

As mentioned above, Holly O'Connor, CPA recommended Intuit's QuickBooks Pro 2011 software. The first challenge was to determine if CUCC should invest in the software or purchase the online service. The online service has three tiers:

1. Simple Start (\$12.95/month)
2. Essentials (\$24.95/month)
3. Plus (\$39.95/month)

It was decided that instead of paying monthly fees for years to come, the club would invest in software to be downloaded to the treasurer's personal computer. The three tiers of software are:

1. Pro (\$229.95 for 1 user)
2. Premier (\$399.95 for 1 user)
3. Accountant (\$399.95 for 1 user)

The Mac version of QuickBooks Pro 2011 was purchased on 11/1/2010, and due to a problem with the order, Intuit charged CUCC only \$195.46 instead of the full price of \$244.32, resulting in a 20% discount. A 2-hour training session was scheduled with Holly O'Connor, CPA on 11/26/2010. During this session, CUCC's online bank account was linked with the QuickBooks software to insure that interactions logged into QuickBooks matched up with the actual checking account's activity. Basics of QuickBooks were also reviewed and Holly started the books with an opening balance of \$7,444.07.

IV.1: Transitioning to QuickBooks

The next challenge was moving the data from the Google Docs workbook to QuickBooks. This was done on 12/6/2010. The data from the spreadsheets needed to be entered manually into QuickBooks. This was done to ensure data integrity and because it could not be quickly determined how much effort would be involved with importing the data from Google Docs. It was decided that all transactions since 8/10/2010 would be manually entered into QuickBooks. This was an arbitrary date that was chosen based on the fact that the online Chase account allowed us to easily run a transaction history report back to this date. It was deemed unnecessary to

input all of the transactions from the Chase account prior to 8/10/2010, due to time constraints and the fact that the treasurer was volunteering his time.

IV.2: Debits

The QuickBooks general ledger was begun with the end-of-day (8/10/2010) Chase checking account cash balance of \$7,444.07. All debits from the Chase account after that date were classified with their appropriate expense categories in QuickBooks. A separate Accounts Payable account was also created in QuickBooks so that expenses for all events and administrative costs could be easily tracked.

IV.3: Credits/Deposits

The deposits made from PayPal (which remains the main vehicle through which CUCC receives its income) to Chase between 8/10/2010 and 12/6/2010 were assigned to a QuickBooks general deposit income category, despite the fact that each of these deposits actually consisted of income received from various revenue streams (events and membership dues). It would have been too time consuming to go back and figure out which income categories should have been assigned to each deposit.

IV.4: PayPal Transaction History Report

The 12/6/2010 end-of-day PayPal balance was next brought from \$1,650.40 to \$0.00 by depositing the money into Chase. Every customer purchase made after this would be easily categorized in QuickBooks with the new income categories. However, before this was done, it was necessary to know where to categorize this income in QuickBooks. A PayPal transaction history report would enable the treasurer to determine how much money went to each income category for this deposit (which would actually consist of 5 individual deposits from PayPal). NOTE: Before deciding to move to QuickBooks, \$200.00 was on hand in the PayPal account at all times, in case money needed to be refunded to customers. In order to know which income categories made up the \$1,650.40, it was necessary to backtrack and look in the PayPal account to find the most recent deposit from PayPal to Chase, which, when it was made, brought the PayPal account to \$200.00. This was on 11/28/2010 for \$2,793.66. Every purchase made by a customer from 11/29/2010 to 12/6/2010, plus the \$200.00, would equal \$1,650.40. After some trial and error, it was determined that the PayPal transaction history report format needed to be "Comma Delimited - Balance Affecting Payments". Again, running the report would enable the treasurer to know where to categorize this income in QuickBooks.

Despite several attempts at running the report, however, the shopping cart data was not showing up. It was impossible to know what each customer purchase was for, despite being able to see the amounts and dates of each transaction. The only way to know what the purchases were for would have been to go into each transaction's details individually, which would have been too time consuming. After speaking with a customer service manager from PayPal at length, the treasurer successfully ran the PayPal transaction history report, and the shopping cart data was included. The issue was that the checkbox indicating that the report should pull the shopping cart data was located in a counter-intuitive area of the report tool section, and was overlooked by the treasurer.

The PayPal transaction history report was sorted by income category. It was necessary to clean up the data even further by deleting unnecessary columns, and combining rows, since each transaction was given two rows. The amounts for each income category were totaled, and they came to \$1,450.71. Subtracting this from the balance in the PayPal account on 12/6/2010 (\$1,650.40) should have given us

\$200.00, but it only gave us \$199.69. Instead of spending more time figuring out what happened to the \$0.31, the treasurer let it go. The following five deposits were thus made from PayPal to Chase on 12/6/2010:

1. \$162.66 - 2010 Holiday Party
 2. \$323.73 - 2010 Membership Dues
 3. \$475.92 - 2010 Rosner Event
 4. \$488.40 - 2010 Sponsorship
 5. \$199.69 - Money in the PayPal account for refunds
- TOTAL: \$1,650.40**

These deposits were classified in QuickBooks under their appropriate income categories. Again, now that the PayPal account was at \$0.00, all future income could be easily deposited from PayPal to Chase and categorized with the proper QuickBooks income categories.

The next PayPal transaction history report was run on the period 12/6/2010 to 12/20/2010 (for a total of \$1,286.64), five days after the 2010 holiday party, since it was assumed that many purchases would come through right after the party. On 12/21/2010, the data was cleaned and the report was then sorted by income category. The report could've been run to include 12/21/2010, but the treasurer wanted some money to remain in the account for possible refunds. \$155.88 was left in the account, which consisted of a \$121.95 sponsorship purchase and a \$33.93 membership purchase, both having occurred on 12/21/2010. \$1,286.64 was transferred/deposited from the PayPal account to Chase with the following four deposits:

1. \$373.62 - 2010 Holiday Party
 2. \$640.08 - 2010 Membership Dues
 3. \$29.04 - 2010 Rosner Event
 4. \$243.90 - 2010 Sponsorship
- TOTAL: \$1,286.64**

Six physical deposits (cash and checks) were also made at a Chase bank branch on 12/21/2010:

1. \$120.00 - 2010 Holiday Party
 2. \$265.00 - 2010 Membership Dues
 3. \$60.00 - 2010 Rosner Event
 4. \$180.00 - 2010 2nd Spacca Event
 5. \$120.00 - 2010 Seagull Event
 6. \$40.00 - Tasting for first 2011 Epicurean event
- TOTAL: \$785.00**

PayPal transaction history reports will be run on the 5th and 21st of each month to reconcile CUCC's financial transactions, and to ensure the financial status of the club is up to date. These reports, as well as QuickBooks backups, will be saved to CUCC's Google account (alumclub@gmail.com) as well as to the treasurer's personal external hard drive on the 5th and 21st of each month as well. A second training session was held with Holly O'Connor, CPA on 1/5/2011. This was mainly to have her review the treasurer's work since the first training session.

V. Benefits of the new process

1. When a user logs into PayPal, the account homepage only displays new transactions from the last seven days. If the account is accessed after seven days, there could be new transactions that happened, but they won't be displayed and it is then necessary to go into the account's history to see them. The treasurer had been logging in once a week on Fridays to see what transactions had occurred in order to log each transaction into the Google Docs workbook. Not only was this time consuming and tedious, but, as mentioned before, the president was also keeping a running headcount of who was signing up for each event and who was buying memberships, since he was being notified automatically by email when each purchase was made. With the new accounting methodology, the treasurer only needs to concern him/herself with income/expense totals and which income/expense categories to use, as opposed to the details of each individual transaction. This means that deposits and financial reconciliations can be made less frequently, since the PayPal transaction history report can be run at any time.
2. Quarterly and annual reports will be much easier to assemble, run, and present.
3. Balancing CUCC's checkbook requires a few mouse clicks in QuickBooks.
4. Entering information into QuickBooks doesn't require an Internet connection.
5. While an Internet connection is required to download the Chase account information for transaction matching purposes, it can be done at any time.
6. The treasurer doesn't have to sift through multiple spreadsheets to enter income/expense data, and no formulas are needed to update balances.
7. Notes and comments can be added to each transaction.

VI. Resistance

There was absolutely no resistance to this change in work-flow from the CUCC board. The president and board of directors are happy to have a more robust accounting software solution in place as opposed to simple spreadsheets in a workbook.

VII. Post-Mortem

1. The only real challenges to this change in accounting were training the treasurer on QuickBooks and moving all of the financial data from the Google Docs workbook into QuickBooks.
2. In hindsight, despite the fact that it was a calculated risk and everything worked out fine, \$200.00 should have been left in the PayPal account instead of bringing it to \$0.00 during the transition on 12/6/2010, in case any previously scheduled refunds went through. This should have been done especially since PayPal refunds can take up to 30 days to process. Better communication with the president, on the part of the treasurer, would have been ideal.
3. It has become painfully clear that PayPal's customer service is not the greatest. While having trouble running the transaction history report, a customer service representative who did not have access to the CUCC account interface the treasurer was seeing, and could therefore not effectively diagnose the reporting problem, was the first person to assist the treasurer. This representative stated that there was no way to run the report in the manner that was required (i.e., with the shopping cart data). It was only after a customer service manager got on the line that the report was run successfully.
4. People sometimes pay at the door with cash and checks for an event. When these are deposited to Chase, they are now grouped by event (or membership dues/sponsorships), and deposited separately. This way, when QuickBooks is synced with

Chase, the deposits to Chase will match the deposit information manually entered into QuickBooks. This requires the treasurer to fill out many deposit slips instead of just one, which is cumbersome but ultimately better for the integrity of the data.

5. The treasurer met with Holly O'Connor, CPA on 1/5/2011 for a final training session, at which time it was discovered that cash accounting was being used to track CUCC's finances in QuickBooks. Accrual accounting shows the ebb and flow of business income and debts more accurately, and it was decided to switch to this form of accounting. Cash accounting would have satisfactorily suited CUCC's needs, but in order to have as much information and detail as possible, accrual accounting was implemented. The treasurer also received help from Rosie Gutierrez, a friend and colleague, to switch the books to accrual accounting.

VIII. Conclusion

The new accounting methodology has been a spectacular success. Not only is CUCC now using cutting-edge accounting software which will meet its needs for years to come, but managing the club's finances has become extremely easy. Changing to a well known and well respected standard in accounting software will also allow outgoing treasurers to easily pass along the financial duties of the club to new treasurers. This will ensure the sustainability of the club.