Fund Accounting on Springly

Fund accounting is a method that ensures transparency, accountability, and responsibility in nonprofits' finances. It helps them keep track of where their money goes, especially when they receive grants or specific funds. This accounting practice also helps them report their finances to the IRS, follow any restrictions on their assets, and maintain enough money to keep running. Fund accounting is important to ensure that the money is managed properly and used for the right reasons.

Furthermore, fund accounting makes accounting data easier to understand. It helps analyze the finances from an "economic" point of view and make better decisions. This provides better information to the board and more meaningful financial statements to funding sources and the public.

In addition, fund accounting helps the organization identify its strengths and weaknesses. Each fund is treated like a separate company within the organization, tracking assets, liabilities, revenue, expenses, and fund balances or net assets.

On the Springly platform, users have the possibility to run fund accounting. The purpose of this guide is to lead you step-by-step through this accounting method on the platform.

Tips: If you are wondering whether you should perform fund accounting, please refer to our e-book on fund accounting, which explains fund accounting basics and best practices in detail. Enjoy reading!

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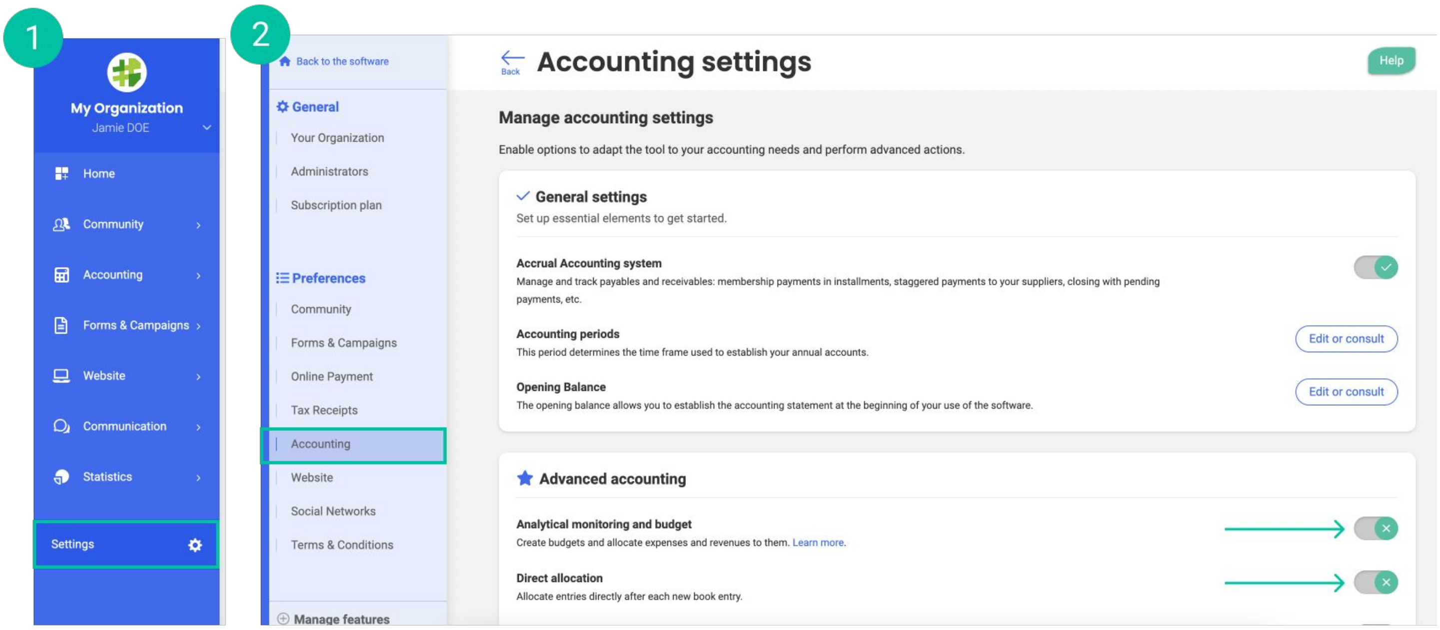
1 SET UP YOUR FUNDS

Before beginning, only administrators with access rights to the accounting feature can perform the following actions.

ACTIVATE THE FEATURE

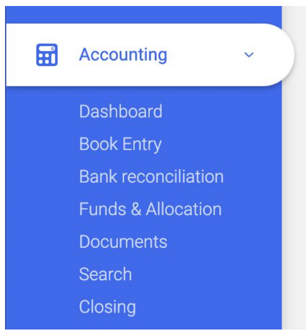
Go to **Settings > Accounting**, in the "Advanced accounting" section.



Activate the "Funds & Allocation" option.

After activating this option, "Funds & Allocation" will appear in the general menu of the Accounting functionality. This will enable you to create your funds and budget items directly, as explained in the next section.

If you activate the "Direct allocation" option, you will be able to immediately allocate expense and revenue entries to funds after creating them. Alternatively, you can choose to "Skip this step" and allocate them later.



Our organization follows the following funds:

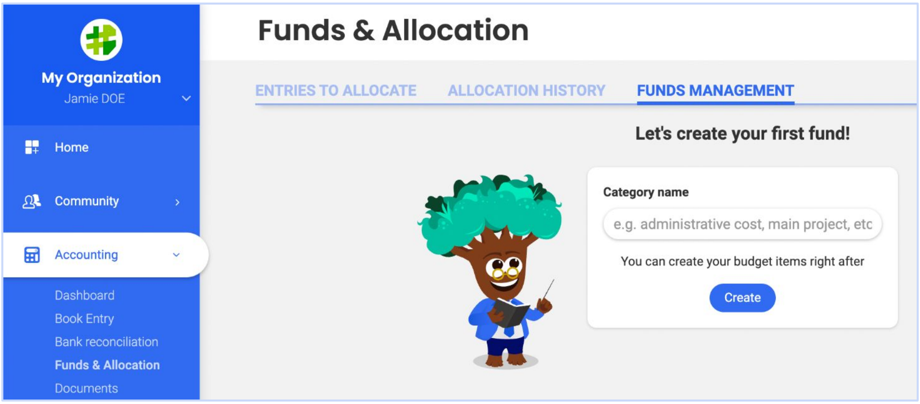
- An Unrestricted - General fund
- A Restricted - Missions fund, divided into budget items:
  - Project 1
  - Project 2
  - Project 3
- An Unrestricted - Building fund

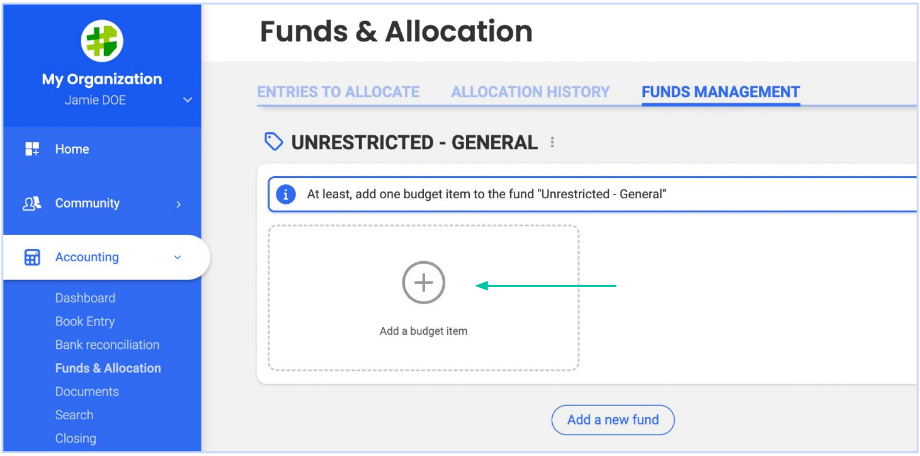
SET UP YOUR FUNDS AND BUDGET ITEMS

Go to **Accounting > Funds & Allocation**, then to the "Funds management" tab.

To create a fund, first enter a title for your fund, for example "Unrestricted - General", and click on the "Create" button. Each fund must contain at least one budget item.

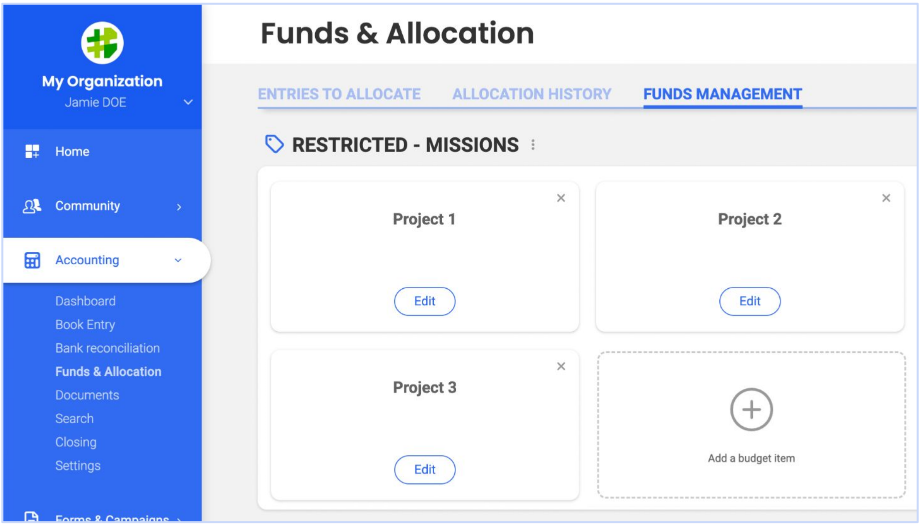
If you only have one budget item in your fund, keep it simple and name it after the fund it is attached to.





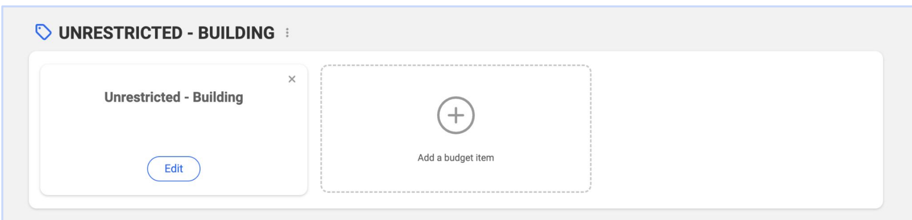
The "Restricted - Missions" fund contains three projects: Project 1, Project 2, and Project 3. You can create them by clicking on "Add a budget item".

The "Missions" fund and its three budget items have been created.



To complete the setup, create a third fund dedicated to Building investments. Simply click on "Add a new fund" and follow the steps.

The only remaining task is to create a single budget item in this fund, following the same process as described above.



Nonprofits generally use two types of funds: unrestricted and restricted funds.

- **Unrestricted funds** can be used in any way that supports the nonprofit's mission. They are also called general funds.
- **Restricted funds** must be used for specific purposes or projects, such as donations with specified conditions.

To distinguish between restricted and unrestricted funds, you can include this information in the title of the fund, as done in the examples above.

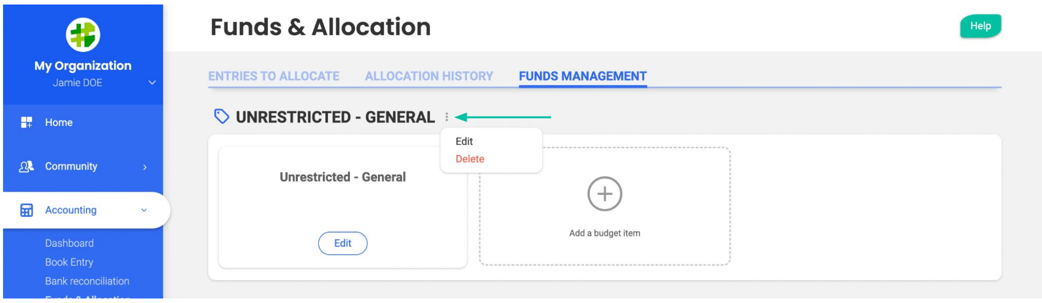
EDIT FUNDS AND BUDGET ITEMS

In case of a wrong entry, you can modify and/or delete your funds and budget items.

EDIT OR DELETE A FUND

These options are accessible in the same interface (see image below).

- Editing allows you to modify the title of the fund in case of a typo.
- Deleting a budget has a greater impact: it deletes the fund, its associated budget items, and all the breakdowns already made on these items. However, it does **NOT** affect the accounting entries.

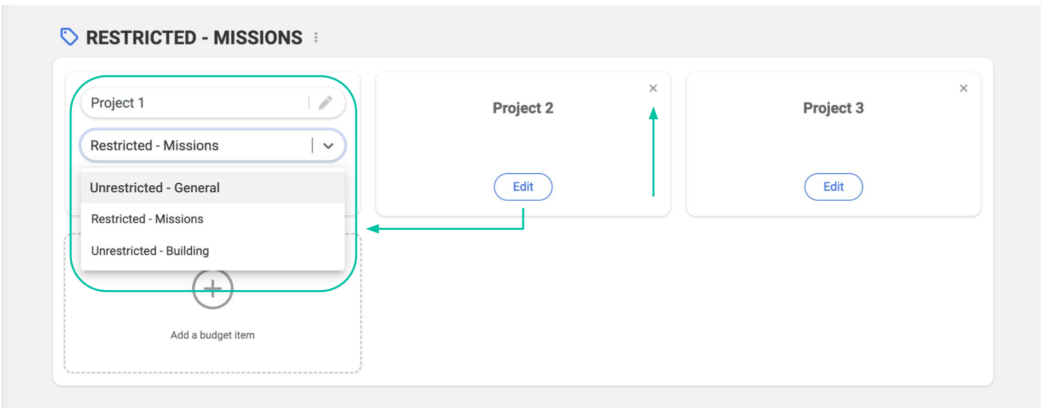


Please note: Deleting a fund is irreversible! A confirmation window prevents you from doing this by mistake.

EDIT OR DELETE A BUDGET ITEM

These options are accessible in the same interface (as shown in the image below):

- Editing a budget allows you to change the title or attach the budget item to another fund that has already been created. This saves you from having to delete everything and start over.
- Deleting a budget item also removes all its allocations, but **does not** affect any accounting entries.



Please note: Deleting a fund is irreversible! A confirmation window prevents you from doing this by mistake.

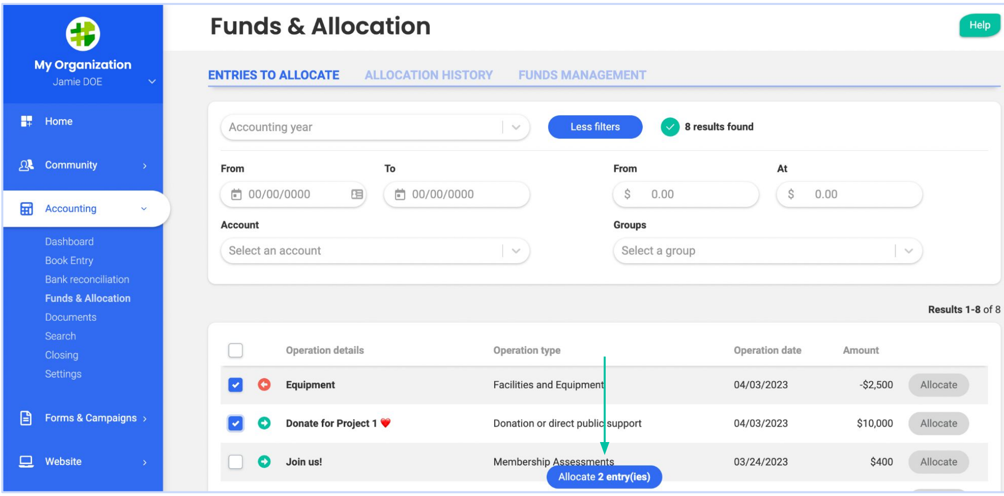
2 ALLOCATE ENTRIES ON FUNDS

ALLOCATION

The term "allocating to a fund" can be confusing. However, on Springly, you can allocate entries to one or several budget items. To enable this functionality, each fund must have at least one budget item. In this section, we will cover the following steps:

- Allocating entries
- Consulting an allocation
- Modifying an allocation
- Deleting an allocation

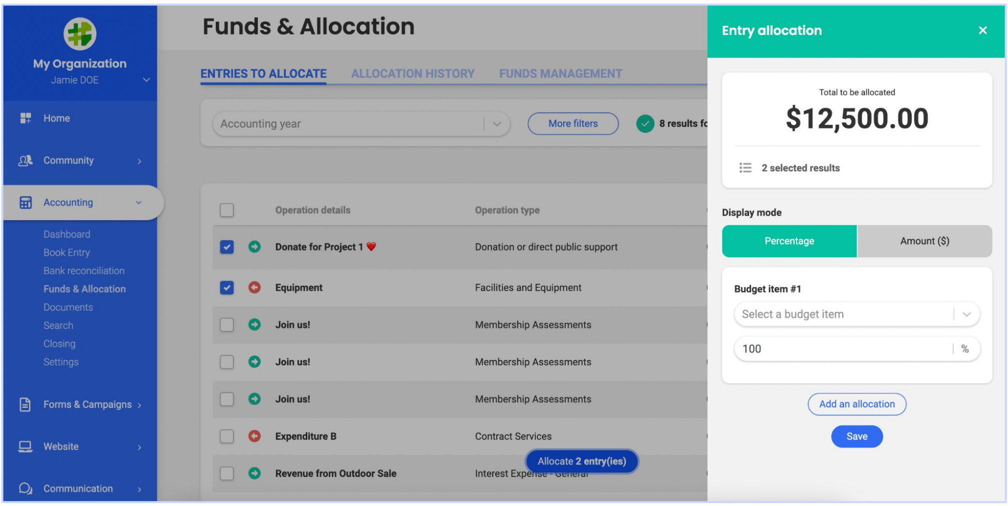
To begin, navigate to **Accounting > Funds & Allocation** and select the "Entries to Allocate" tab. Here, you will find all unallocated entries of income and expenses. Please note that only entries linked to class expenditure and revenue accounts can be split.

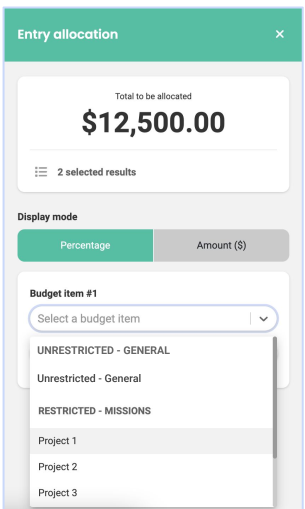


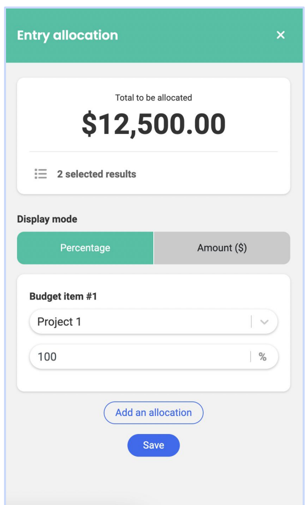
Select the entries you want to allocate by checking the corresponding boxes. You can use filters to search for specific entries if necessary.

You can select one or multiple entries at a time.

A window opens on the right of your screen, showing the sum of the entries to be allocated. Select the funds/budget item(s) to which you want to allocate the selected entries.





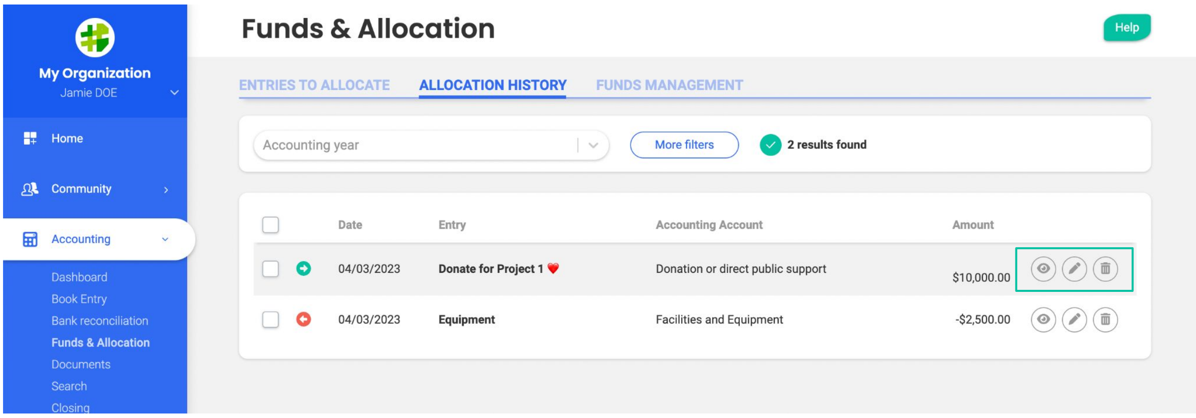


Note: When selecting multiple entries, they will all be allocated in the same way to the budget item(s) and have the same distribution. This allows you to make mass actions. If you prefer to allocate them case by case, select one entry at a time.

You can break down several budget items in terms of value (amount in $) or as a percentage, according to your preference. If less than 100% of the amount to be split is allocated, a message will warn you.

CONSULT/EDIT/DELETE ALLOCATIONS

Go to **Accounting > Funds & Allocation**, then to the tab "Allocation history". You will find all the entries broken down: 1 line = 1 entry.



For each allocation, you have the possibility to see, edit or delete the allocation.

Tip: It is not possible to make massive changes to breakdowns. If you need to do so, delete the incorrect mass allocations and redo them.

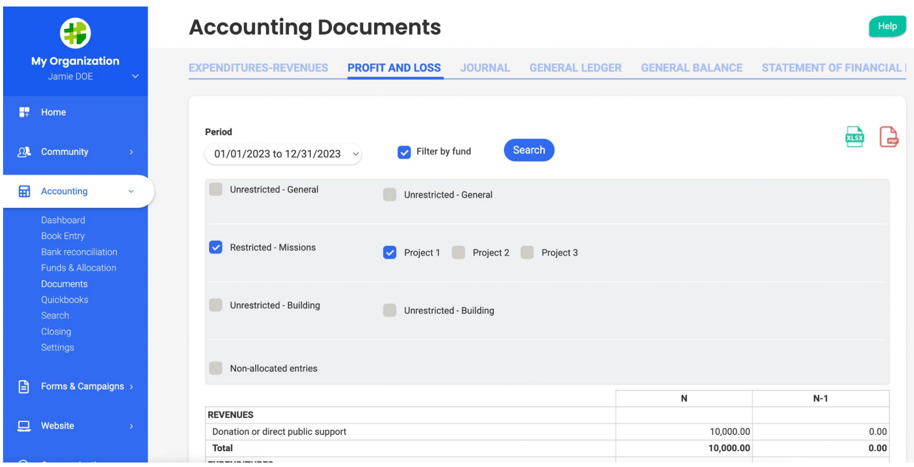
It is possible to mass delete allocations. To do this, simply select all the rows you want to delete and confirm your choice in the dialog window.

3 GENERATING A FUND INCOME STATEMENT

Once you have created your funds and allocated entries to each of them, you may want to measure the performance of each fund or project. You can do this by consulting the dedicated fund accounting statement that is automatically generated on your platform.

To access the dedicated income statement or P&L of one of your funds, go to **Accounting > Documents**, and click on the Profit and Loss tab.

Check the "Filter by fund" box and select the fund or budget item you are interested in.



4 CARRY OVER FUNDS FROM ONE YEAR TO THE NEXT FOR RESTRICTED FUNDS

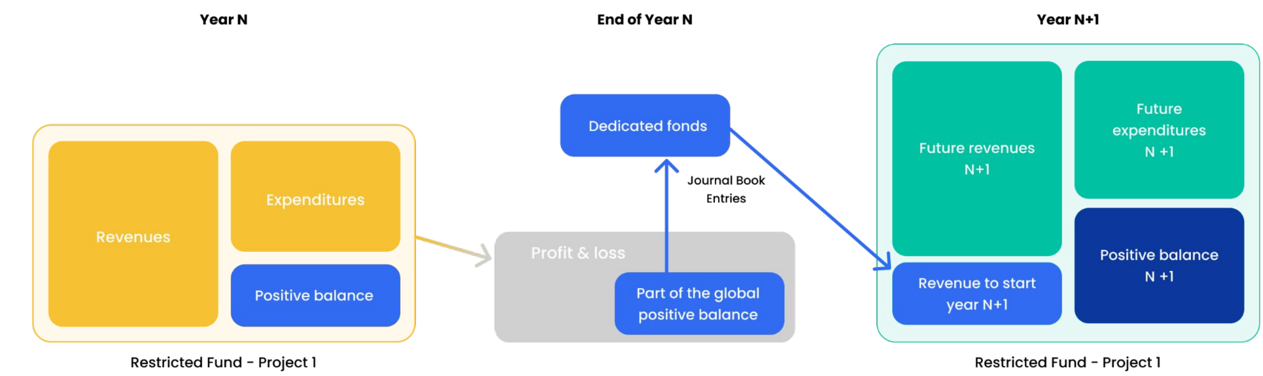
ILLUSTRATION OF CARRY OVER MECHANISM

Let's continue with our previous example. We have launched a fundraising campaign dedicated to a specific project to follow up. So we have created the restricted fund "Project 1".

1. **Assuming you have collected $10,000**: Donations received are automatically booked in your accounting. You just need to allocate them to the dedicated fund, as detailed previously.
2. **Assuming you buy $2,500 of equipment dedicated to this project:** Enter the expenses and allocate them to the same fund (see the dedicated article of our Help Center - How to Record Revenue or Expense Entries).
3. **At the end of the year, you have $7,500 leftover in this fund:**

- Either you put it in a dedicated fund to block the money and carry it over to the next year, using it only for this purpose. This is recommended for restricted funds.
- Or you do nothing, and it will be used to maintain the global activity of the nonprofit.

Since we use a restricted fund, the difference will be allocated to a dedicated fund as follows:



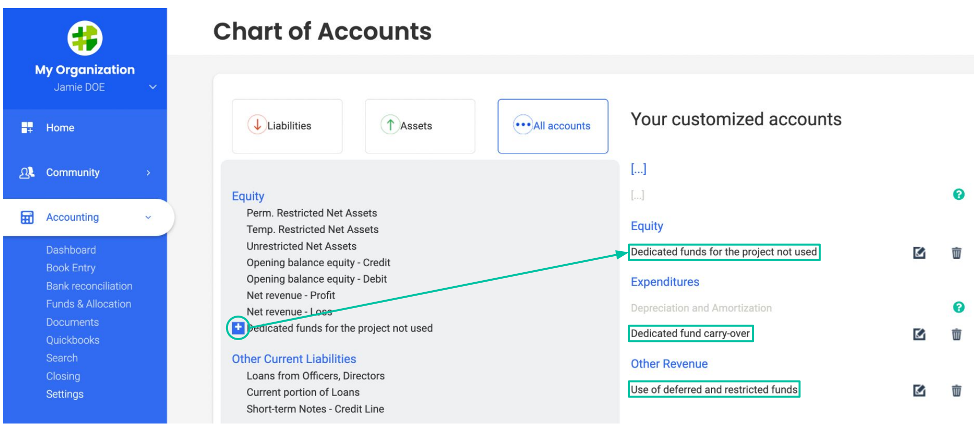
At the end of the year N, the fund is therefore at $0. **At the opening of year N+1, end-of-year balance funds of $7,500 are re-allocated into the right fund.**

We are starting the next accounting year with a balance of $7,500 to be used throughout the year. This process will continue until the funds are exhausted. It is not permissible to have a negative balance when tracking dedicated funds year-to-year.

HOW TO RECORD IT IN SPRINGLY?

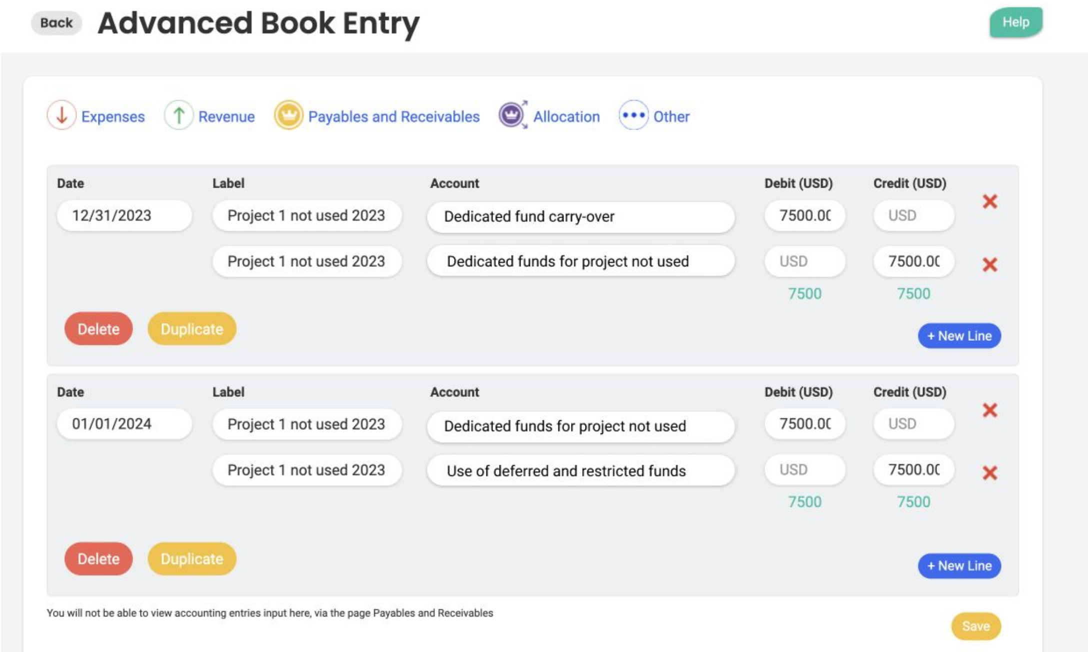
First, go to Accounting > Settings → Accounts and create the accounts **related to the fund you want to carry over**, such as your restricted funds:

- Equity → Dedicated funds for the project not used
- Expenditures → Dedicated fund carry-over
- Other Revenue → Use of deferred and restricted funds

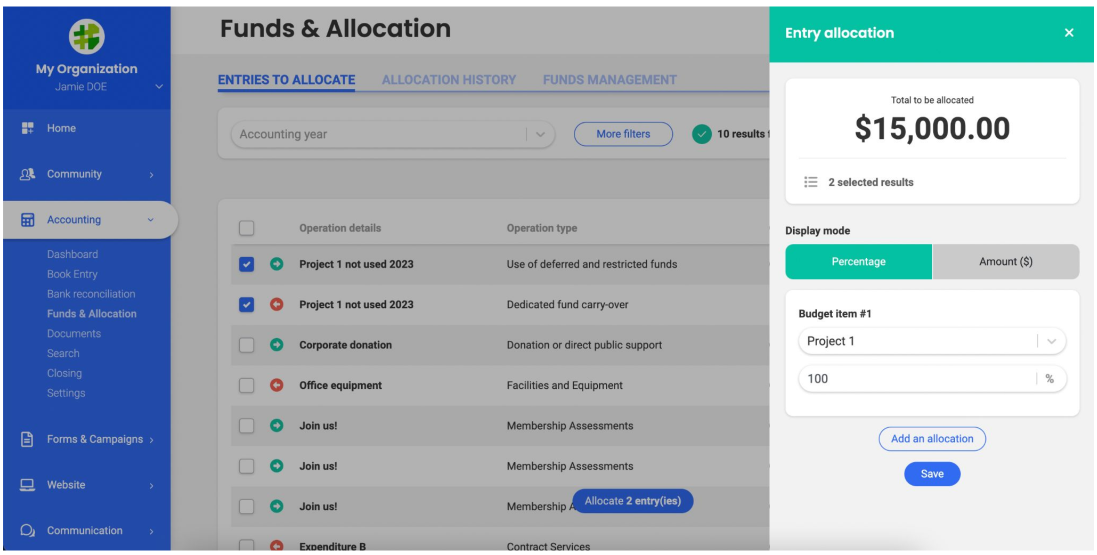


Tip: To better track carryover operations, create a set of accounts per fund. A fund is the nonprofit equivalent of an owner's equity or retained earnings account. It is neither an asset account nor a checking or savings account.

Once you have created these accounts, you can book your entries by going to **Accounting > Book Entry → Journal Book Entry**.



Finally, go back to **Accounting > Funds & Allocation → Entries to allocate**, and allocate the entries you created to the Project 1.



CONCLUSION

We hope you found this guide useful and that it helped you set up fund accounting on your Springly platform. If you have any suggestions for improving this guide, we will carefully consider them. Please send them to our Support team, who will forward them to the people in charge of resources.

See you soon!

Step 4 - Carry over funds from one year to the next for restricted funds