### **STRATAFOLIO**<sup>®</sup>

# How to Use Classes in QuickBooks for Commercial Real Estate

### What is the Purpose of Using Classes?

QuickBooks' class tracking feature lets businesses categorize financial data beyond the standard chart of accounts. By assigning classes to transaction lines, companies can monitor income, expenses, and profitability across properties without cluttering the P&L with subaccounts.

Class tracking is particularly helpful for commercial real estate for tracking common area maintenance expenses.

### Scenario I:

There is one QuickBooks account for a single entity/single LLC. This entity has one asset and a building with multiple tenants. Most expenses will be distributed to all tenants, but certain expenses may be only appropriate for certain tenants.





1. All reimbursable expenses classed at this level will be shared by all tenants within the Entity at their pro-rata share of the Entity.

2. All reimbursable expenses using this class will be shared pro-rata among all tenants in the Asset/Building based on their rentable square footage of the Building.

3. All reimbursable expenses using the specific subclass for the Unit will be 100% allocated to only this Tenant/Unit.

**\*Note:** For STRATAFOLIO CAM Reconciliations, the reimbursable expense account(s) must be mapped to an Operating Expense subcategory for allocation to occur.

# Scenario II:

Example:

There is one QuickBooks account for multiple entities/LLCs. Within the same QuickBooks account, there are multiple Entities, Assets, Buildings, and Tenants.

This is not a recommended setup with STRATAFOLIO because you will lose some classification details, and it should only be used with the approval of your accountant.

However, if you combine multiple entities in one QuickBooks account, a class would need to be made for each entity and then the subclasses for the Assets, Buildings, and Tenants.



1. All reimbursable expenses classed at this level will be shared by all tenants in only this Entity at their pro-rata share of the Entity.

2. All reimbursable expenses using this class will be shared pro-rata among all tenants in only this Asset based on square footage of the Asset.

3. All reimbursable expenses using this class will be shared pro-rata among all tenants in only this Building based on square footage of the Building.

4. All reimbursable expenses using the specific subclass for the Unit will be 100% allocated to only this Tenant/Unit.

**\*Note:** For STRATAFOLIO CAM Reconciliations, the reimbursable expense account(s) must be mapped to an Operating Expense subcategory for allocation to occur.

## Scenario III:

There is one QuickBooks account for a single entity/single LLC. This entity has multiple Assets, Buildings, and Tenants within the same entity.

Example:



1. All reimbursable expenses classed at this level will be shared by all tenants within the Entity at their pro-rata share of the Entity.

2. All reimbursable expenses using this class will be shared pro-rata among all tenants in only this Asset based on square footage of the Asset.

3. All reimbursable expenses using this class will be shared pro-rata among all tenants in only this Building based on square footage of the Building.

4. All reimbursable expenses using the specific subclass for the Unit will be 100% allocated to only this Tenant/Unit.

**\*Note:** For STRATAFOLIO CAM Reconciliations, the reimbursable expense account(s) must be mapped to an Operating Expense subcategory for allocation to occur.

# Steps for Posting Expenses in QuickBooks with Classes

We will use the example of the Restaurant in the Shopping Center Example shown below. They are the tenant renting Unit 110 in Building 1 for all of the examples below.



For the Restaurant, **take its 7,500** square feet and **divide by 18,750** (total rentable sq. ft. of the building). Next, **take that number and multiply by 100**. The Restaurant's pro-rata share of the Building is 40.00%

- Unit 110 Square Footage 7,500 = 100%
- Total Building Rentable Square Footage 18,750 = 40%
- Total Asset Rentable Square Footage (Scenario 2 and 3) 35,714 = 21%
- Total Entity Rentable Square Footage (Entity 1 in Scenario 2) 35,714 = 21%
- Total Entity Rentable Square Footage (Scenario 3) 90,850 = 8.26%

\*\*Assuming Building 2 is 16,964 sq ft and Asset 2 is 55,676 sq ft\*\*

### **Posting Entity Specific Expenses:**

The Property Insurance expense is typically an Entity specific expense. This will be posted to the general ledger reimbursable account called Property Insurance set up in the Chart of Accounts (COA). Depending on your class setup, this will be allocated to the tenants by their pro-rata share of the Entity in STRATAFOLIO.

#### Scenario I:

Posting the expense using the class "Entity" or "Asset/Building" will calculate 40% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### Scenario II:

Posting the expense using the class "Entity 1" or "Asset 1" will calculate 21% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### Scenario III:

Posting the expense using the class "Entity 1" will calculate 8.26% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

### **Posting Asset Specific Expenses:**

Real Estate Taxes expense are typically expenses that will be incurred for the building or parcel. These will be posted to the general ledger account called Reimbursable:Real Estate Taxes, which is set up in the Chart of Accounts (COA). Depending on your class setup, this will be allocated to the tenants by their pro-rata share in STRATAFOLIO.

#### Scenario I:

Posting the expense using the class "Asset/Building" will calculate 40% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### Scenario II:

Posting the expense using the class "Asset 1" will calculate 21% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### Scenario III:

If posting the expense using the class "Entity 1" will calculate 8.26% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO. This should be posted as it is in Scenario II.

### **Posting Building Specific Expenses:**

Landscaping expense are typically expenses that will be incurred for the building. These will be posted to the general ledger account called Reimbursable:Landscaping, which is set up in the Chart of Accounts (COA). Depending on your class setup, this will be allocated to the tenants by their prorata share in STRATAFOLIO.

#### Scenario I:

Posting the expense using the class "Asset/Building" will calculate 40% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### Scenario II:

Posting the expense using the class "Building 1" will calculate 21% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO.

#### **Scenario III:**

If posting the expense using the class "Entity 1" will calculate 8.26% of the expense to Unit 110 on the CAM Reconciliation in STRATAFOLIO. This should be posted as it is in Scenario II.

### **Posting Unit Specific Expenses:**

For the Restaurant, a grease trap expense is a tenant-specific expense that needs to be allocated 100% to the tenant. This will be posted to the general ledger account called Reimbursable: Grease Trap, which is set up in the Chart of Accounts (COA). All three scenarios are the same. Post the expense to the subclass created for Unit 110.

# **Steps for Adding Classes in QuickBooks**

In QuickBooks Online, go to Settings using the gear icon. Select Account and Settings.



Select Advanced. Turn on Track Classes. Assign classes one to each row in transactions. Save your updates.



We recommend selecting the option to Warn when a transaction is not assigned a class. This way, you will have a reminder for every transaction to have a class assigned. This is also why we suggest using an Overhead class to ensure that all transactions have a class assigned to them.

Next, you need to set up the actual classes. Go to the Settings in the gear icon again. Select All Lists. Click on Classes. This listing contains a complete list of the classes you are using.

+ New	Lists	
V BOORMARS		
+ Bookmark this page	Chart of Accounts	Payment Methods
✓ MENU	Displays your accounts. Balance sheet accounts track your assets and liabilities, and income and expense accounts categorize your transactions. From here, you can add or edit accounts.	Displays Cash, Check, and any other ways you categorize payments you receive from customers. That way, you can print deposit slips when you deposit the payments you have received.
Dashboards		
	Recurring Transactions	Terms
Tasks	Displays a list of transactions that have been saved for reuse. From here, you can schedule transactions to occur either	Displays the list of terms that determine the due dates for payments from customers, or payments to vendors.
Transactions	automatically or with reminders. You can also save unscheduled transactions to use at any time.	Terms can also specify discounts for early payment. From here, you can add or edit terms.
Advanced accounting	Products and Services	Classes
Sales (	Displays the products and services you sell. From here, you can edit information about a product or service, such as its description, or the rate you charge.	Displays the classes you can use to categorize your accounting transactions.
Expenses		Attachments
	Product Categories	Displays the list of all attachments uploaded. From here, you can add, edit, download, and export your
Customers & leads	A means of classifying items that you sell to customers. Provide a way for you to quickly organize what you sell, and save	attachments. You can also see all transactions linked to a particular attachment.
Reports	you time when completing sales transaction forms.	
	Contrary France Etcher	Tags
Payroll	Custom Form Styles	Displays the list of all tags created. You can add, edit, and delete your tags here.
Time	Customize your sales form designs, set defaults, and manage multiple templates.	
Projects	Custom Fields	
Financial planning	Sort, track, and report the information that matters to you. Add custom fields to your forms so that you can capture more business valuated info.	

To create a new class, select New and type the class name that you have decided to use. We suggest the name of the LLC, Asset, or Building.

Filter by name		
	Class *Name The sub-class Enter parent class	×
	Cancel Save	

To enter another class or sub-class, repeat the steps above. When creating the sub-class, select the check mark and the correct class that needs to be the parent. In QuickBooks Online, you can make a parent and up to 4 children/sub-classes under each parent class.

Filter by name	
	Class
	*Name Unit 110
	V Is sub-class
	5200 Bluebird Road V
	3519 Partridge Parkway Unit 1A Sub-class of 3519 Pa
	4925-5925 Prairie Road 4925 Prairie Road Sub-class of 4925-59
	5925 Prairie Road Sub-class of 4925-59
	5200 Bluebird Road 522 Possum Drive

# Total Commercial Property Management Software





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#### **Frequently Asked Questions**

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