

Nonprofit Accounting System Considerations

Running a nonprofit organization requires different accounting responsibilities than those of for-profit businesses. Nonprofit organizations handle tax payments, financial statements, and recordkeeping differently than other businesses. An important consideration in building the finance and accounting system/department of a nonprofit is its ability to track and manage the financial impacts of decision making through the results of outcome metrics.

Fund Accounting

As with any business, tracking and managing the receipt of money, its uses and what is left over is essential to its success.

- Determine and allocate program funds
- Compliance with the FASB statement for audits, donor and creditor scrutiny.

Taxes

Nonprofits that are organized as a tax-exempt entity need to apply for an exemption with the IRS.

- Donors contributions are tax exempt
- IRS requires designate 501(c)'s to file an annual Form 990.

Internal Controls

Departments including HR, compliance, IT, and financial controls.

- Assures that assets are safe and secure
- Financial reporting is accurate
- Compliance with laws and regulations

Revenue Recognition

Revenue is recognized in the year that it is received

- This helps the tracking, budgeting and monitoring aspect
- Donations, grants, contributions, pledges, and in-kind donations represent a revenue stream.

Budgeting

Assists a nonprofit in planning for the future, sustainability of programs and operations, and improving overall performance

- Project the amount of revenue you think you can raise/recieve to use as a baseline to project what you can spend
- Spend within your means!