

Nonprofit Bookkeeping Requirements You NEED to Know

4 min read



Key Takeaways

- Groups like the American Institute of Certified Public Accountants and the Financial Accounting Standards Board outline some generally accepted accounting principles (GAAP) for nonprofits and serve as reliable, up-to-date resources for non- and for-profit businesses and organizations. These guidelines will help you transparently tell your organization's story through its financials.
- it is not uncommon for charities to receive trades for goods and services, or have donors purchase items on behalf of the organization. It is important that these non-cash or in-kind contributions are accounted for at the retail value of the items — especially when the goods or services would have otherwise been purchased by the organization.
- Nonprofit bookkeeping profit & loss (P&L) statements play an important role in helping organizational leaders understand profit within various programs or events, as well as to make informed future decisions about fundraising and spending needs.

High level executives sometimes crossover from the world of for-profit business to a nonprofit organization at some point in their careers. If you find yourself in this situation, understanding the similarities and differences of each sector and how your organization can effectively handle its nonprofit bookkeeping records is important to helping you and your organization be successful.

[Nonprofit organizations](#) are essentially businesses with a unique set of financial requirements and their own dialect of accounting language. Instead of customers, you have donors; in lieu of vendors, you have volunteer hours.

Rather than focusing on sales, the financial records for any nonprofit must demonstrate the organization's dedication to its stated charitable purpose through the appropriate use of its resources and assets.

Because most organization leaders spend their time generating revenues and serving their mission, their attention may not be focused on their financial documentation and nonprofit bookkeeping. When it comes time for their annual financial audit, they may have to halt their efforts in order to create audit-ready books for compliance. Explore three reasons why nonprofits are turning to outsourced bookkeeping services to meet their needs.

We have compiled a list of bookkeeping components that are essential to maintaining accurate financial information to help you run your organization and to help you maintain your organization's tax exemption status.

Follow Accounting Standards Outlined by Professional Organizations

While this may seem like a no-brainer, it is surprising how often organizations do not stringently adhere to current accounting industry standards and operate seemingly at random. Groups like the [American Institute of Certified Public Accountants \(AICPA\)](#) and the [Financial Accounting Standards Board \(FASB\)](#) outline some **generally accepted accounting principles (GAAP)** for nonprofits and serve as reliable, up-to-date resources for non- and for-profit businesses and organizations. These guidelines will help you transparently tell your organization's story through its financials.

GrowthForce's certified and experienced nonprofit bookkeeping and accounting professionals are up-to-date on accounting standards, state and federal tax laws and exemption requirements, and other important information that can affect your charitable organization.

Track In-Kind Contributions and Grants

In addition to receiving monetary donations, it is not uncommon for charities to receive trades for goods and services, or have donors purchase items on behalf of the organization. It is important that these non-cash or in-kind contributions are accounted for at the retail value of the items — especially when the goods or services would have otherwise been purchased by the organization.

Some businesses or foundations will match contributions made by employees or their subsidiaries with grants. These donations also must be tracked by the nonprofit for the application of matching funds.

Create Accurate, Up-to-Date Financial Activities Reports

Budget vs. Actual Reports

This can be a tricky area for businesses and nonprofits alike. Every nonprofit organization should have an annual budget and as one of its leaders, you should know where and how the money is being spent. This also is something your board needs to review for the current month as well as year-to-date (YTD). This information helps board members keep a finger on the pulse of the organization to determine its financial and operational health.

Fortunately, GrowthForce's outsourced accounting and bookkeeping services make this task easy by capturing detailed annotations in a deep-dive report that assesses your actual revenues and expenses and compares it to what you budgeted. This will help you not only gain a clear understanding of the status of your charity's finances but it also will help you and your board understand and explain any unexpected variances that may exist in the data.

Cash Flow Reports

For most nonprofits, cash flow often presents a challenge. These financial reports provide essential information for your finance committee to rely upon during its quarterly, biannual or annual meetings to make high level decisions about the future of your organization. As part of your cash flow report, you need to account for any restricted grants so they can be separated in the cash accounts.

Nonprofit bookkeeping profit & loss (P&L) statements also play an important role in helping organizational leaders understand profit within various programs or events, as well as to make informed future decisions about fundraising and spending needs. Our P&L

statements, which can be organized by month and by class, provide additional insight into the financial standing of your organization historically or at a specific point in time.

We have put together a list of other types of reports that your nonprofit board members should be reviewing.

GrowthForce offers solutions to meet your nonprofit bookkeeping and accounting needs. We specialize in helping nonprofit organizations stay on track and focus on what really matters: serving their missions and achieving success in those efforts.

If you're ready to take your nonprofit's bookkeeping capabilities to the next level, let's have a discussion to determine how we best can collaborate through our outsourced bookkeeping and accounting services.