



## **Generally Accepted Accounting Principles for Small Non-Profits**

- 1) **Document, record and summarize** all financial transactions.
- 2) **Accrual accounting** (recognizing income and expenses when they are incurred, not when they are entered) better represents the financial condition of the organization than cash basis accounting.
- 3) **Double-entry bookkeeping** provides a safeguard. For every transaction an account is debited and another is credited. To balance, the total of all debits must equal the total of all credits.
- 4) Have a **chart of accounts** that tracks your all of your organization's financial transactions. It should encompass what board and staff, the public, and funding bodies need to know. It should include a) program and core income and expenses; b) line items that need to be shown; c) identifying grants and contracts that require detailed financial reports; d) whether donations are unrestricted net assets (have no donor restrictions for their use), or temporarily or permanently restricted net assets; e) numbering all accounts.
- 5) Produce a **statement of activities** (all income and expenses, their source, and surplus or deficit within the fiscal period) and a statement of position (or balance sheet: what the organization owns, what it owes and what it is worth) on a regular basis.
- 6) Have a **bookkeeping cycle** (entering data, summarizing data, reconciling data, closing the books).
- 7) Highlight an expense **paid in advance** at the year-end and record as an asset.
- 8) **Revenue recognition:** a contribution is recognized as revenue in the year in which the related expense is incurred.
- 9) **A capital asset** is recorded as an asset. The depreciation based on the estimated useful life using different methods and rates is considered as an expenditure.
- 10) Comply with **government regulations**

- 11) Have **internal controls**: a budget, segregation of financial duties (no one person should control all aspects of a financial transaction- logging entries, making deposits and reviewing bank statements), policies for purchasing and travel, procedures for processing deposits and expenses.
- 12) **Petty cash** should come from a petty cash fund (not 'cash on hand'), be short term, carefully controlled, and managed by at least two people.
- 13) Do not loan money to staff or board members.

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*Source: Ruegg, D.L., Venkatrathnam, L.M. (2003) Bookkeeping basics: What every nonprofit bookkeeper needs to know. St Paul, MN: Amherst H. Wilder Foundation*