Generally Accepted Accounting Principles for Small Non-Profit Organizations

1) **Document, record and summarize** all financial transactions.

2) **Use accrual accounting** (recognizing income and expenses when they are incurred, not when they are entered) as this method better represents the financial condition of the organization than the cash basis accounting method.

3) **Using 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) budget line items (categories and sub-categories of your expenses and revenues) that need to be shown; c) 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; and e) a numbering of 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 **consistent bookkeeping system** that standardizes when you, for example, enter data, summarize data, reconcile data, and close the books.

7) Highlight an expense **paid in advance** at the year-end and record it as an asset.
8) Recognize revenue appropriately *(revenue recognition)* by recognizing a contribution as revenue in the year in which the related expense is incurred.

9) Record your *capital assets* (property or equipment of value, usually held for a long period) as assets. The depreciation based on the estimated useful life using different methods and rates is considered an expenditure.

10) Comply with *government regulations* including source deductions and employee remittances, charitable status rules, tax filings, etc.

11) Have *internal controls* such as a budget, the 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) Take *petty cash* from a petty cash fund (not ‘cash on hand’) which should be for short term use, carefully controlled, and managed by at least two people.

13) *Do not loan money* to staff or board members.

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**Source**

“Bookkeeping basics: What every nonprofit bookkeeper needs to know”