

ACCOUNTING 101

ACCOUNTING IS THE PROCESS OF RECORDING AND REPORTING BUSINESS TRANSACTIONS.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) ARE:

Guidelines for how transactions are to be recorded, processes are established and financial reporting is prepared.



BOOKKEEPER VS ACCOUNTANT?

BOOKKEEPER

receives a certificate for completion of a bookkeeping program

ACCOUNTANT

completes at least a 4-year degree in the field of accounting

RESPONSIBILITIES:

1. Record the transactions to your ledger.	daily
2. Run trial balance and reconcile bank accounts. <i>The trial balance is the statement of all debits and credits for all accounts in the ledger.</i>	monthly
3. Record correcting entries if necessary.	monthly
4. Close out the month.	monthly
5. Budget preparation (at least 6 months prior to the new year).	annually
6. Assist with an audit.	annually
7. Assist with or completely prepare payroll & payroll tax filing.	biweekly/monthly
8. Annual filings.	Federal & State requirements

WHEN IS IT TIME TO HIRE AN ACCOUNTANT:

- Uncertain of or have concerns about the accuracy of your financial reporting, and what to record and when
- If you're using the accrual method
- Activities have stretched beyond small cash donations
- Receive or plan on receiving government funding
- Required to file a 990EZ or 990
- If an audit requirement is expected

Watch the full Amplify Your Accounting Workshop [here!](#)

WHAT TO LOOK FOR?

- Experience with the tasks to be performed
- Experience with accounting systems /softwares
- Recommended & certified bookkeeper/degreed accountant
- Ask for references & visit their LinkedIn
- Call in: The less established you are, the more experienced you want the accountant to be



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Developed for an AMPT Up Your Org workshop by Tia Lewis.

COMMON NONPROFIT FINANCIAL STATEMENTS

Statement of Activities

Statement of Financial Position

Reporting of expenses by functions

Statement of Cash Flows

THE STATEMENT OF ACTIVITIES LISTS THE REVENUE AND EXPENSES, AND IS USED TO:

- Prepare your annual tax filing
- Make sure you're on target to meet and not exceed your budget
- Catch errors in coding & if splits amongst programs are correct
- Identify areas to cut costs

THE STATEMENT OF FINANCIAL POSITION LISTS THE ASSETS, LIABILITIES, AND NET ASSETS

- Shows leadership lenders and donors the state of assets, liquidity, liability, and **if the organization can cover debts**
- Used to prepare annual tax filing

BEST PRACTICES FOR ORGANIZATIONS

PREPARE WITH EXECUTIVE LEADERSHIP AND BOARD OF DIRECTORS:

Developing Procedures:

Developing Protocols:

- Developing and implementing policies shows good stewardship
- Improves consistency and execution of processes
- Examples of policies are Conflict of Interest, Whistle blowing & Non-disclosure policies

CORRECTLY CLASSIFY INDEPENDENT CONTRACTORS VS EMPLOYEES

Independent Contractor (IC):

- If the organization controls/directs the results of the work, but not the method by which it gets done.

Employee:

- If the organization controls what and how the work will be done

Failure to classify properly may hold you liable for employment taxes for that worker. See Internal Revenue Code section 3509.

A person is likely to be an independent contractor if.....

- **Neither instruction or training** is provided to the individual by the organization
- They provide their **own equipment**, system, software and supplies to perform task
- **Contracted** and paid by the job
- Doesn't receive company benefits



PREPARE A BUDGET AT LEAST 6 MONTHS PRIOR TO THE START OF THE YEAR!

Keep your personal and professional financial records separate from the beginning to accurately prepare Financials, Annual returns, and Support documentation.