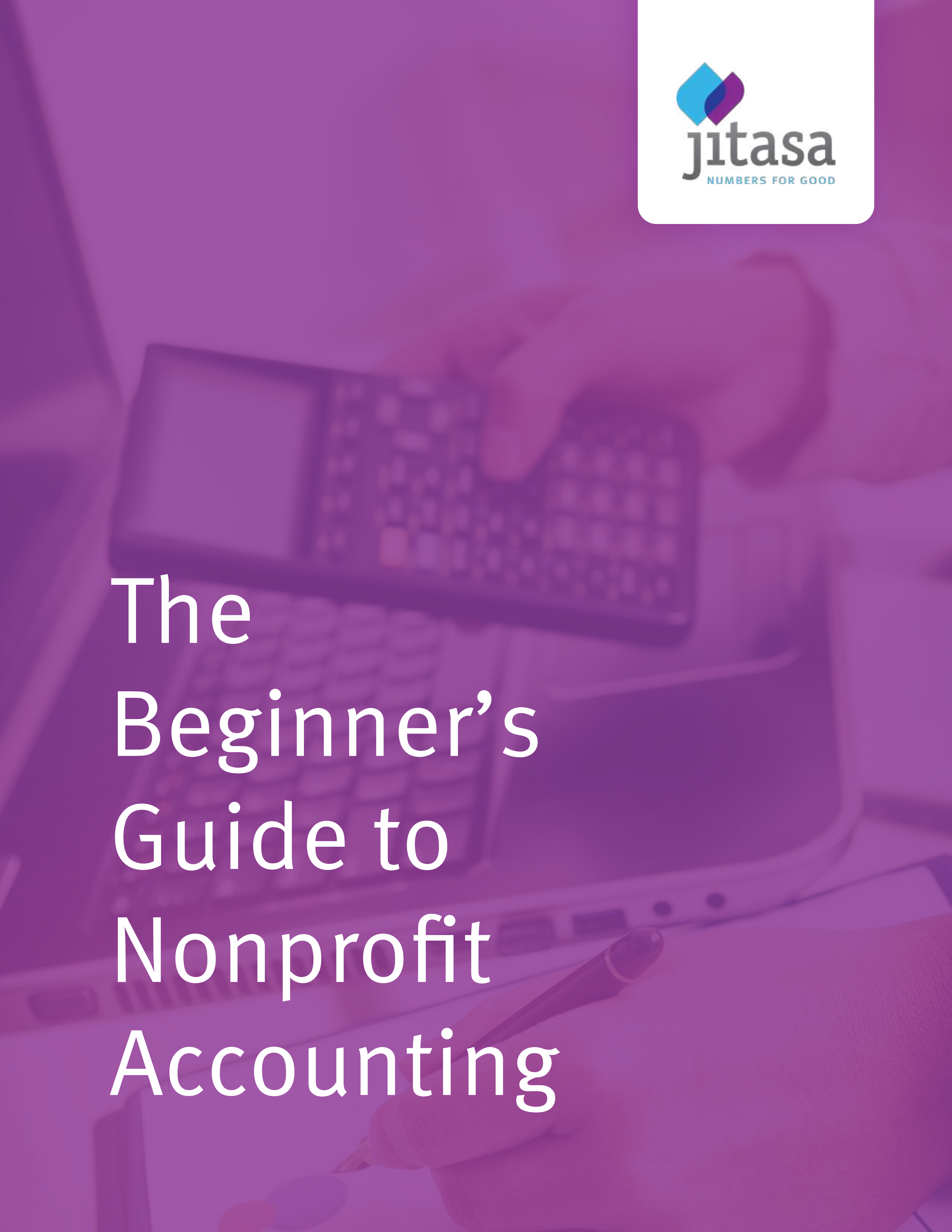

jitasa
NUMBERS FOR GOOD

The Beginner's Guide to Nonprofit Accounting

Nonprofit professionals like yourself rarely enter the nonprofit sector to become an accountant. Generally, you enter this field to help contribute to the community and make the world a better place. However, it's important for nonprofits to have an understanding of how nonprofit accounting works to better manage funds and advance the organization's mission.

Nonprofit accounting is unique and multi-faceted. Not only do nonprofits need to track their funding and expenses, but they also need to compile reports, disclose information to the IRS, and set budgets that take restrictions set on various gifts and contributions into account.

Therefore, we developed this guide to cover the various aspects of nonprofit accounting for the average nonprofit professional. Let's get started!

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Basics of Fund Accounting

What is nonprofit accounting?

Nonprofit accounting **is the unique process by which nonprofits plan, record, and report on their finances.** Nonprofits must follow the generally accepted accounting principles (GAAP) in their financial practices and ensure they respect the restrictions placed on the funding they receive from individual contributors, grantor, and governing entities.

This brings us to one major difference between accounting in the nonprofit sector when compared to for-profit companies:

> *Nonprofit accounting focuses on **accountability** compared to standard businesses that focus on **profitability** as their primary financial priority.*

Say a major donor gives $50,000 to a nonprofit but says they want that funding to only be used in support of a scholarship the organization provides. The nonprofit must respect these restrictions and set that money aside for the scholarship. They must report on their finances and show that they've respected the wishes of generous donors in these instances.

When you have one or two funds that are restricted, it may be simple to put that funding aside. However, as your organization grows, you're likely to win additional grants and receive more major contributions, meaning you'll also have more restrictions to keep track of.

Take grant management as another example. If your nonprofit receives three different grants and each is restricted for a different cause, you'll need to report back to the grant-making organizations about how you used their funding. Plus, you might have a number of different deadlines to keep track of for each grant.

Therefore, nonprofits use a system of **fund accounting** to properly allocate their funding to various campaigns, programs, and activities. This system allows nonprofits to take the restrictions set by contributors into account while ensuring funds are used productively to support the organization as a whole.

This system of fund accounting also ensures that all funds are recycled back into the organization rather than taken as a profit.

Cash vs. Accrual Accounting

There are two different methods nonprofits may use to record their revenue and expenses. The way in which you record these transactions can greatly impact your organization's accounting decision-making processes. The two different methods are:

- **Cash accounting.** Cash accounting is the easier of the two methods because your organization simply follows the cash. Your accounting team records the revenue and expenses as it enters and leaves the account.
- **Accrual accounting.** Meanwhile, accrual accounting allows nonprofits to record revenue and expenses when incurred. For example, this means you'd record your rent as you pay it rather than waiting to record the transaction for several days until the transaction is approved and actually hits your account.

Many organizations may get their start using cash accounting because it's easier for new nonprofits to keep track of. However, cash accounting isn't recognized by GAAP standards and doesn't represent the nonprofit's finances as well as accrual accounting. For that reason, accrual accounting is considered the gold standard for nonprofit organizations.

Nonprofit Budgeting

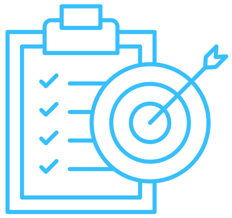
What is nonprofit accounting?

One key part of any accounting system is developing a budget for your organization. Your nonprofit is no exception! Budgeting is an important responsibility your team must take on to ensure you're always advancing your mission.

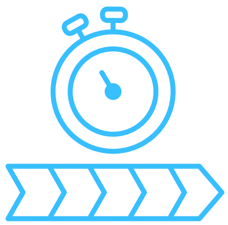
Your nonprofit budget should take into account not only the upcoming expenses you have as an organization, but also the sources of your revenue you expect to receive over a set period of time.

An effective nonprofit budget will accomplish the following:

- **Define specific activities.** Your budget should be specific and align with your organization's overarching strategic plan. For instance, if you know you need $25,000 to launch a new program this year, you should go ahead and add that specific amount to your budget and define what it will be used for.

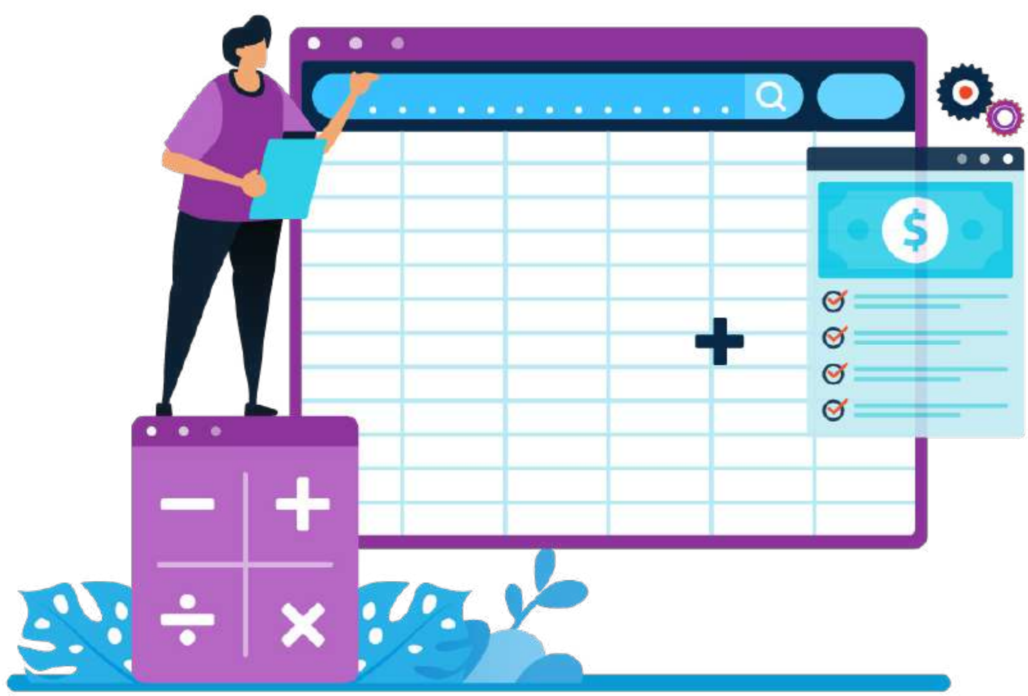


- **Set realistic measurements.** It can be tempting to be optimistic about your budgeted expenses in order to stretch your budget as much as possible. However, taking a more realistic approach as to how much initiatives will actually cost will result in your organization accomplishing more quality work than simply stretching your funds as thin as possible.



- **Cover a set time period.** Usually, nonprofit budgets cover a set fiscal year. However, this doesn't mean you should only glance at the numbers on an annual basis. Rather, you should cover that period and compare your actual revenue and expenses to your budget regularly throughout the year.

So what does the nonprofit budget look like? It will probably look somewhat similar to this example below:

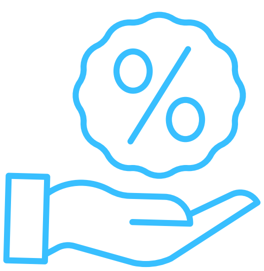


Revenue	Budget	Notes
Individual Donations	$30,000	Based on previous year's numbers
Grants	$25,000	Based on previous year's numbers
Events	$24,000	Based on previous year's numbers
Sponsorships	$21,000	Based on previous year's numbers
Matching Gift Revenue	$5,000	Based on previous year's numbers
TOTAL REVENUE	**$105,000**	
Expenses	**Budget**	**Notes**
Office Expenses Lease Water Electric	$10,000 $6,000 $2,000 $2,000	Fixed expenses
Insurance	$5,000	Fixed expense
Volunteer Recruitment	$2,000	Based on previous year - increased by 10%
Advertisements	$5,000	Based on previous year - increased by 10%
Program Supplies	$40,000	Based on previous year - increased by 10%
Events	$5,000	Based on previous year - increased by 10%
Advertisements	$5,000	Based on previous year - increased by 10%
TOTAL EXPENSES	**$82,000**	

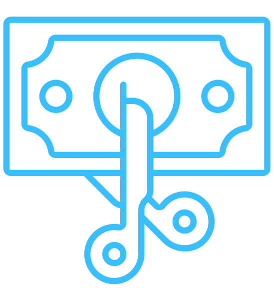
Forecasting Revenue

Nonprofit revenue is challenging to predict because it depends on the generosity of third parties like donors and grantmaking organizations. However, by examining past revenue data, your nonprofit can make effective projections about the revenue you expect to generate throughout the next fiscal year.

There are two different ways your nonprofit can use this data to calculate your approximate upcoming revenue:



- **Discount method:** Using this forecasting method, your nonprofit identifies and estimates the approximate amount of revenue you'll receive from line item fundraising sources. Then, you consider the probability that you'll receive that funding and multiply the two numbers. For example, if you have a 75% chance of receiving a $100,000 grant, you would forecast in your budget that you'll receive $75,000 in revenue from that grant.



- **Cutoff method:** This forecasting method is similar to the discount method, but it doesn't use line items to make predictions. Instead, you would consider your entire predicted fundraising revenue and multiply that by the probability that you'll receive that funding. For example, if you expect to raise $1,000,000 in funding this year and estimate that it's 80% likely that you'll hit that goal, you would forecast $800,000 for your budgeted revenue.

You'll notice that both of these forecasting strategies underestimate the revenue you'll receive throughout the year. This is intentional as it ensures you'll be able to cover your expenses even if you don't hit all of your goals or do raise as much as you did in the previous year.

There isn't a right or wrong method to use for your budget because every nonprofit is different. Discuss these options with your nonprofit accountant to determine which method will work best for your nonprofit as you move forward with your budget.

Forecasting Expenses

As you plan out your expenses for the coming year, you should split these costs into three different categories:

- Fundraising: Sometimes it takes money to make money. This is the funding you use to run fundraising campaigns and earn the revenue you need throughout the year.

- Administrative: Part of your funding needs to be used to keep your organization afloat. For example, these expenses can include paying your staff members, investing in key software solutions, and renting your office space.

- Program: Program expenses are the funds that your organization uses for actual program costs. For example, an animal shelter might use their funds to pay for vaccinations and veterinary care for their animals.

If you add together your organization's fundraising and administrative expenses, the result is your nonprofit's total overhead. Overhead costs describe the funds that don't directly benefit your mission but help your organization stay afloat and grow in order to have a greater impact later on. They indirectly help your mission, which is how these funds also got the name "indirect costs."

Many nonprofits try to limit their overhead as much as possible, afraid that supporters will think the organization is misusing its resources. However, the perspective on overhead is changing. People are recognizing that indirect costs have a great long-term impact, allowing nonprofits to continue growing their operations and better serving their mission.

Types of Nonprofit Budgets

Generally, there are two different types of nonprofit budgets that organizations may create to manage their finances. These two types of budgets include:

- **Operating budget:** Your operating budget covers the annual projected revenue and expenses for your nonprofit. When you consider creating your general budget for the upcoming year, this is the budget you should work with.
- **Capital budget:** Your capital budget covers the expected revenue and expenses for long-term projects and programs. For example, if you're hosting a multi-year capital campaign, this will be accounted for in your capital budget.

Most of the time, when nonprofits consider their primary budget, they're thinking about the operating budget. However, to continue growing, you'll need to consider where you expect your nonprofit to be beyond the upcoming fiscal year. You'll need to see how this year fits into the bigger picture, which is where your capital budget comes into play.

Accounting Statements and Reports

Nonprofit accountants compile a number of statements and reports that provide insight into various aspects of your nonprofit's finances. These can help you better understand how the organization spends its funding, where funding comes from, and your nonprofit's general financial health.

Nonprofit Chart of Accounts

The nonprofit chart of accounts is the system by which nonprofits organize their revenue and expenses. Essentially, this is the backbone from which all reports are pulled. When a nonprofit is looking to learn more about their statement of activities, they'll pull the numbers to fill the report from the chart of accounts.

Nonprofit charts of accounts are essentially a list to track your accounts and ledgers, helping nonprofits keep track of financial transactions.

For example, your individual contributions might fall under the category of 1100. Meanwhile, grant funding may fall under 1200 and sponsorships may fall under 1300. When the chart of accounts is complete, it will end up looking something like this:

Assets	Liabilities	Net Assets	Income	Expenses
1100 Checking	2100 Accounts Payable	3100 Unrestricted Net Assets	4100 Individual Contributions	7100 Payroll
1200 Savings	2200 Accrued Salaries	3200 Temporarily Restricted Net Assets	4200 Corporate Contributions	7110 Payroll Taxes
1300 Investments	2300 Accrued Employee Benefits	3300 Permanently Restricted Net Assets	4300 Bequests	7130 Benefits
1400 Accounts Receivable	2400 Accrued Payroll Taxes		4400 Federal Grants	7200 Depreciation
1410 Grants Receivable	2500 Accrued Property Taxes		4500 State Grants	7300 Contract Services
1420 Pledges Receivable	2600 Unearned/ Deferred Revenue		4700 In-Kind Contributions	8100 Office Supplies
1500 Property	2700 Short-Term Notes/Loans Payable		5100 Program Service Fees	8200 Rent
1600 Equipment	2800 Line of Credit		5200 Member Dues	8210 Utilities
1700 Petty Cash	2900 Government Owned Fixed Liabilities		5300 Investments	8220 Real Estate Taxes
1800 Notes/Loans Receivable			5400 Event Sponsorships	8230 Equipment Maintenance
			5410 Event Tickets	8300 Travel
			5420 Event Auction	8400 Fundraising
			6100 Net Assets Released From Restriction	8500 Marketing
			6300 Miscellaneous Revenue	9100 Fixed Asset Purchases
				9200 Payment to Affiliates

Many organizations decide to use the standard chart of accounts setup compiled in the Unified Chart of Accounts. However, this account is often too comprehensive and advanced for smaller organizations. Smaller teams would need to cut down the information in the chart so much that it's sometimes worth the effort to simply create a new one instead.

Statement of Activities

The nonprofit statement of activities is parallel to the income statement for for-profit companies. This form provides detailed information about your organization's various transactions and the activities associated with those transactions. That way, your organization can review the transactions and analyze how each one helped advance the organization's mission.

When the statement of activities is complete, it will likely look something like this:

Revenues	Unrestricted	Temporarily Restricted	Total
Individual Donations	$150,000	$50,000	$200,000
Grants	$50,000	$100,000	$150,000
Investment Income	$75,000	$0	$75,000
Other	$0	$0	$0
Total Revenues	**$275,000**	**$150,000**	**$425,000**
Expenses			
Program Services	$160,000	$0	$160,000
General and Administrative	$37,000	$0	$37,000
Fundraising	$38,000	$0	$38,000
Total Expenses	**$235,000**	**$0**	**$235,000**
Change in Net Assets	$40,000	$150,000	$190,000
Net Assets, Beginning of Year	$4,300	$0	$4,300
Net Assets, End of Period	**$44,300**	**$150,000**	**$194,300**

Each line item in your statement of activities should align with items in your budget. Therefore, you can reference this sheet when creating your annual budget document. Plus, you can check this form to ensure the organization is on track with its actual budgeted expenses. Each document will help inform the other throughout the year and ensure your planned and actual expenses and revenues are aligned.

When considering growth and opportunities for the future, your accountants should review the information in this form to see how financially sustainable programs are.

Statement of Financial Position

The [nonprofit statement of financial position] is parallel to the for-profit balance sheet. This statement outlines the nonprofit's assets, liabilities, and net assets to help organizations gain an understanding of their general financial health.

When the statement of financial position is complete, it looks something like this:

Assets	2018	2019
Cash and Cash Equivalents	$250,000	$240,000
Contributions Receivable	$50,000	$45,000
Prepaid Expenses	$2,000	$1,750
Property and Equipment	$75,000	$75,000
Total Assets	**$377,000**	**$361,750**

Liabilities		
Payables	$125,000	$120,000
Debt	$55,000	$45,000
Other	$15,000	$15,000
Total Liabilities	**$195,000**	**$180,000**

Net Assets		
Without Donor Restrictions	$130,000	$120,000
With Donor Restrictions	$52,000	$61,750
Total Net Assets	$182,000	$181,750

Total Liabilities and Net Assets	**$377,00**	**$361,750**

From this statement, you can calculate other metrics like your months of LUNA (liquid unrestricted net assets). This calculation is your property and equipment assets subtracted from your total unrestricted assets and then divided by your average monthly expenses. This metric shows how sustainable your organization is based on how well your assets can cover your expenses.

In the example above, the total unrestricted assets are $120,000, and the total property and equipment assets equal $75,000. Then, if you subtract the liabilities for the year by 12, you can estimate the average monthly expenses to equal $15,000. Therefore, to calculate the nonprofit's months of LUNA, you would use the following equation: ($120,000 - $75,000) / $15,000.

The resulting months of LUNA are equal to: 3 months. In general, nonprofits should aim to have about 3 months of LUNA to be healthy. Less than 3 months means that the organization should find expenses to cut or new ways to earn more revenue. More than 3 months of LUNA means your organization has room to expand its programs, staff, etc.

Statement of Cash Flows

Your nonprofit statement of cash flows shows how cash moves in and out of the organization during a set period of time. This statement is divided into three sections that separate the types of organizational activities. These three sections are the operational activities, investing activities, and financing activities.

When you've completed the statement of cash flows, the resulting report will look something like this:

Cash Flows From Operating Expenses	
Cash Received From Contracts	$50,000
Cash Received From Contributions	$250,000
Cash Paid to Employees	$275,000
Net Cash From Operating Expenses	**$25,000**
Cash Flows From Investing Activities	
Equipment Purchases	$5,500
Net Cash From Investing Activities	**$5,500**
Cash Flows From Financing Activities	
Credit Card Payments	$4,000
Loan Payments	$7,500
Net Cash From Financing Activities	**$11,500**
Increase (Decrease) In Cash	$8,000
Cash at The Beginning of The Year	$2,500
Cash at End of Year	**$10,500**

Understanding how cash moves in and out of the organization will help your nonprofit get a better sense of the cash on hand throughout and after the year ends. Not only that but reviewing this report will also provide insight into your nonprofit's fundraising and spending habits, helping you develop more accurate budgets over time.

Statement of Functional Expense

The nonprofit statement of functional expense reports your nonprofit's types of expenses, placing those expenses in specific categories according to how they were used. These categories include the expenses used for programs, administrative activities, and fundraising.

When this form is complete, your statement of functional expenses will look similar to this:

	Program Expenses	Administration	Fundraising	Total
Salaries and Wages	$112,500	$22,500	$15,000	$150,000
Rent and Utilities	$37,500	$7,500	$5,000	$50,000
Insurance	$15,000	$3,000	$2,000	$20,000
Insurance	$11,250	$2,250	$1,500	$15,000
Fundraising	$0	$0	$5,000	$5,000
Travel Expenses	$500	$0	$0	$500
Postage	$1,000	$1,000	$0	$2,000
Totals	**$177,75**	**$36,250**	**$28,500**	**237,500**

Not only do each of the document's categories help nonprofits better understand where their hard-earned money is going, but the document itself can be a helpful reference when tax season comes along. Since 2017, nonprofits are required to disclose the nature of their expenses in their annual Form 990, and the categories noted in your statement of functional expense align perfectly with those in the form.

Nonprofit Financial Tax Forms

If you've worked with an organization since its inception, you might remember filing your articles of incorporation, writing your bylaws, and filling out your Form 1023. After the form was filed and the IRS reviewed your initial paperwork, you may even remember celebrating when you were granted your official 501(C)(3) status.

Official 501(C)(3) nonprofit organizations aren't required to pay federal taxes on an annual basis as individuals and companies are. All of their money should be invested back into the organization, which is why the federal government provides this tax break. That's why, instead of paying taxes, nonprofits must disclose their finances to both the IRS and the public to ensure they've allocated funds appropriately.

The annual tax form completed by nonprofits to disclose their finances to the IRS is known as the annual Form 990.

Form 990s provide places for nonprofits to disclose information such as the organization's revenue, their highest paid employees' salaries, and how their money was generally allocated throughout the year. There are three different types of Form 990s that your organization may choose to file depending on your annual gross revenue:

- **Form 990N.** This is the form available for the smallest of organizations, with annual gross revenue of less than $50,000. It's an eight-question, electronic form and simply asks some identifying questions as well as confirmation that the organization's revenue was less than the required amount.
- **Form 990EZ**. This form is like the middle child between the 990N and the standard Form 990. It's reserved for nonprofits with annual revenue between $50,000 and $200,000 annually. This is a four-page form that requires your nonprofit to record financial information from your various programs, itemize grant information, and more.
- **Standard Form 990.** The standard Form 990 is required for all organizations that have over $200,000 in gross receipts annually. It's an eight-page form that asks for details regarding your nonprofit's mission, funding, fund allocation, and accomplishments throughout the year.

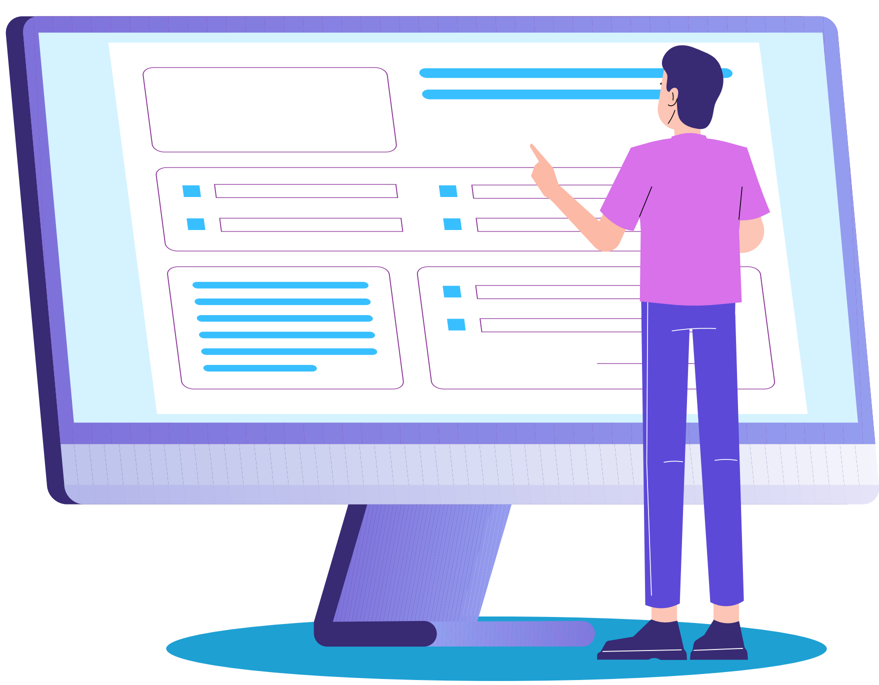
The last form is called the Form 990PF, but this one is reserved for private foundations and must be filed by all organizations under that classification no matter the gross receipts.

Your nonprofit should also consider the forms that your organization needs to provide for your staff members and contractors.

Nonprofits need to provide the standard W2 for employees to understand their individual income and file their personal income taxes. For contractors, nonprofits should also keep tabs on to whom they owe a form 1099. These forms must be provided for anyone who meets all of the following criteria:

- Is not an official employee of the organization
- Received payment of at least $600 from your organization for a service they provided
- Received that payment as an individual, partnership, vendor, or estate.

To summarize tax season, nonprofits need to take two primary considerations into account. The first is how they compile their Form 990 to report on the organization's revenue to the government. The second is how they can provide the required documentation to individuals who work at the organization and will use those forms to file individual tax returns.



Financial Audits for Nonprofits

When individuals or companies are audited by the IRS, the government is generally looking to ensure they paid the taxes required of them. However, nonprofit organizations are exempt from paying taxes, so why should they be audited?

Even if nonprofits aren't audited by the IRS, financial auditing is still essential to nonprofit accounting processes.

Nonprofits need to seek out auditors to inspect their systems rather than relying on the IRS to investigate their financial information. **Nonprofits conduct audits to ensure they're using their funds as they promised to donors and stakeholders as well as to ensure GAAP practices are followed.**

While there are some nonprofits that may conduct audits regularly simply for the purpose of self-accountability and improvement, there are some occasions when organizations are required to conduct audits. Some of the reasons nonprofits may be required to conduct an audit if it's dictated by:

- **Your bylaws.** Some nonprofit bylaws require the organization to conduct an annual or biannual audit to ensure financial accountability.
- **The state.** When states help fund nonprofits, they may require that organization to conduct an audit if they accept over a certain amount (usually $50,000).
- **Federal requirements.** If the federal government provides funding for your nonprofit, they may also require your organization to conduct an audit. This is specifically if your nonprofit accepts over $750,000 in federal funding.
- **Grant application requirements.** Grant funders want to ensure the nonprofits they contribute to are using the money responsibly, so they may require your nonprofit to conduct a financial audit to ensure trustworthiness, transparency, and effective management.

The process to conduct an audit can take about eight to twenty weeks. Generally, this is what the timeline breakdown looks like:

Time to Complete	Audit Activity
4 to 12 weeks	Select an auditor
2 to 4 weeks	Prepare for your audit
2 to 4 weeks	Conduct the audit
Immediately after the audit	Incorporate audit recommendations

Let’s take a look at what occurs during each of these stages:

Select an Auditor

When it comes to selecting an auditor, your nonprofit should conduct research to ensure you’re getting the most out of the experience. Start your research by asking your accountant for auditing firm recommendations. You can also ask other nonprofit professionals you have good relationships with for other recommendations. Each party should be able to recommend a few auditors that they trust.

Once you have an initial list of prospective auditing firms to analyze, you should ask questions that help create criteria by which you can narrow your selection. These types of questions include:

- What percentage of the firm’s clients are nonprofits?
- How long will the auditing process take?
- What is the fee structure for the firm?

When you’ve narrowed your list and have a final few to be evaluated, write a request for proposal (RFP) to send to the firms. From the proposals, you can determine which firm will be the best option for your organization.

Prepare for Your Audit

When you've selected your auditing firm, you can start preparing for the audit process. The checklist below should help your organization ensure you've completed all of the necessary standard actions before the audit takes place.

- ✓ Reconcile all bank accounts.
- ✓ Review uncleared transactions.
- ✓ Review your nonprofit's vendors.
- ✓ Review customers' or members' payments.
- ✓ Review undeposited funds.
- ✓ Look for coding errors.
- ✓ Review your capitalization.
- ✓ Review your account balances.
- ✓ Review your accounts receivable and payable.

Auditing is much more challenging if your organization has outstanding transactions and an untidy system. This checklist is focused on ensuring good data hygiene before the auditor arrives.

You'll also receive a Pull-by-Client (PBC) from your auditor. This will contain a list of reports and statements your auditor will need to have access to in order to conduct the audit. Collect each of the required statements to ensure you provide everything they need.

Conduct the Audit

During this stage, the auditor will review your statements, reports, and other information. Be sure to answer any questions your auditor might have during this time and provide any additional resources they require.

Incorporate Audit Recommendations

After the audit is complete, your nonprofit auditor will write a "letter to management" with the results from the audit. Read through this letter carefully and compile any questions you have for the auditor to ask them before they leave.

You'll need to present this letter to your nonprofit's board of directors, so make sure you have all of the information you need to answer their questions.

The letter itself will have two primary components:

- **Material internal control issues:** These are the issues that nonprofits should address right away as they could impact the way your nonprofit records financial information or security issues.
- **Operating inefficiencies**: Inefficiencies are not immediate problems for the nonprofit, but they're issues that could become major problems in the future. These red flags should be addressed, although with less urgency than the material issues.

Accounting and Grant Management

When you craft your annual budget, you'll likely find that a major source of your nonprofit's revenue comes from grants. Grants are a great source of funding for nonprofit organizations, but they must be managed carefully.

Where Grants Come From

Grants often come from a number of different sources, including:

- Governing entities
- Public charities
- Community foundations
- Family foundations
- Private foundations

While some grantmaking organizations will award unrestricted funds that can be allocated to whatever your organization needs most (usually government grants), these are in short supply. More often, grantors have restrictions on the funding they provide. The monies, when awarded, can only be used for the purpose outlined in an organization's grant proposal.

Writing a Grant Proposal

The first step to writing an effective grant proposal is rereading the instructions provided by the grantor. Each grantor requires slightly different details to be included in the grant proposal itself. The quickest way to a rejected proposal is failing to include all of the required details in your proposal.

After you've read the instructions several times and feel confident that you understand what needs to be included in the proposal, you should make the decision easy for the funder to choose your organization by:

- **Telling your nonprofit's story** in a way that tugs at your reader's heartstrings without losing focus on the funder's goals. Dive into the background of your organization while looking for opportunities to highlight where the goals of your organization align with the mission of the funder.
- **Getting specific about your need** for funding. Those reviewing your grant want to know you have a specific plan for the money if they award it to you. Choose one goal you'd like to accomplish with the grant money and get specific about how you'll use it to further your mission.

- **Asking for feedback** from a third-party individual. Ask someone outside of your organization or industry to review your grant proposal to ensure it's compelling and that you've followed all of the instructions to a tee. This simulates having someone less familiar with your mission (like the funder) reading over the proposal for the first time.

One of the best ways to make sure your proposal stands out is to build relationships with grant-making organizations. Before you submit your proposal, reach out to the grant program manager to ask if they have time to chat about what they're looking for in a proposal.

Recording Grant Funding

When you win grants, you'll need to record the monies in your accounting system. This can become rather confusing depending on the types of grants you receive. In general, grants fall under three categories, and each must be recorded differently:

1. **Unconditional Grant:** These are monies provided with no restrictions, so your organization can use the funds however you see fit. When the grant is awarded, your nonprofit will go ahead and record these monies as revenue (even before they hit your bank account).
2. **Grants with Contingencies:** These grants are provided as long as your nonprofit fulfills certain conditions required by the grantor. Once you meet their requirements, you'll receive an installment of the grant and over time receive the full funding. You'll record these monies at the time you award them. Therefore, when you get the award letter, you'll record the first installment. Then, you'll record each further installment when you receive it.
3. **Reimbursable Grants:** With these types of grants, you'll receive the grant funds only after you've incurred the costs of the program you're funding. You'll pay for the costs initially, then the grantor will pay you back the funds. In the case of these grants, you'll record the expenses as they occur, then have the funds reimbursed after you've received them.

This means that if your nonprofit receives multiple types of grants, you'll need to record them all on slightly different timelines. The various timelines you need to keep up with in regard to grants is why tracking your various grants can become a challenging job.

Tracking Your Grants

As we mentioned, you might have a number of different timelines associated with recording your grant monies. However, that's not the only timeline you'll need to worry about when it comes to grant management. You'll also need to report back to each grantor about how you're using the funding.

This means you need to accurately track how each grant is used for your mission and report back on the timeline requested by each grantor. We recommend that your organization set up a few systems to keep yourself organized:

- **A calendar.** Make a comprehensive calendar with information about grant proposal due dates, reporting due dates, and expected installments if applicable. Check this calendar regularly to ensure you never miss an important deadline.
- **A grant budget.** Create a budget that allows you to compare the projected and actual flow of grant funds at your organization. Be sure to note the restrictions on this funding and allocate the money only toward what the grantor has approved.

Accepting tons of grants without an effective system in place to track them is a recipe for disaster. Instead, accurately track the funding as it enters and leaves your organization so you can return to grantmaking organizations with detailed reports. This will also help you create a positive reputation in the grantmaking world, possibly leading to more grants in the future!

Why Jitasa?

The experts here at Jitasa are here to help your nonprofit manage all aspects of your bookkeeping and accounting. We've worked with nonprofits of all sizes from across the country, so we'll help you manage any new challenge or situation that may arise.

Jitasa is a full-service bookkeeping and accounting firm that specializes in helping nonprofits better manage their finances.

Our team of expert accountants will help your nonprofit ensure correct and secure finances. In addition, we'll provide you with benefits such as:

- **A fully-staffed accounting team.** When people work as a team, more gets accomplished. A full team of accountants will be on your side when you work with Jitasa, allowing you to do more.
- **Access to experienced professionals.** Jitasa's years of experience mean there are very few issues our team of professionals is unfamiliar with. When you have questions or concerns, we'll have answers!
- **Setup with accounting software.** Our experts will help your nonprofit get set up with software on Quickbooks and even cover the fee ourselves! If you're already set up on another platform,

no worries. Our experts are familiar with a range of accounting solutions and can help you maintain them.

- **Enhanced internal controls.** Financial security is a matter of pride for our accounting team. We'll ensure your systems are secure, safe, and well-organized at any given time with strict internal controls.

Outsourcing your accounting services is rarely a poor investment for small and mid-sized nonprofit organizations. Not only do you save time and money, but you also have access to financial guidance and recommendations from experienced professionals in the industry.

Reach out today to learn more about how Jitasa can help solve your nonprofit's accounting needs.

Let the accounting experts at Jitasa manage your finances.

Talk to an expert today to see how we can help!

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