

## Chapter 1

# The Nuts and Bolts of Nonprofit Bookkeeping and Accounting

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### *In This Chapter*

- ▶ Getting an overview of bookkeeping and accounting
  - ▶ Performing a balancing act with your books
  - ▶ Hitting up Uncle Sam for some free money
  - ▶ Closing the year with financial statements
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**Y**our accounting year indicates the beginning of your accounting period and the end of your accounting period. This period may reflect the calendar year from January to December or some other 12-month period. If you use the calendar year, then the first transaction after January 1 starts your accounting cycle, and your last transaction on December 31 ends the cycle. You compile your financial statements after the cycle ends, get your financial statements audited, and start the cycle over again. It always feels good to finish something, doesn't it? If you start with the end in mind, you have audited financial statements that summarize your accounting activities for the accounting period.

Now more than ever people are calling for accountability in the world of nonprofits. Long gone are the days when you can assume that your stakeholders will just take your word that you're successful at your mission and are spending their donations wisely. People want to see proof — cold, hard numbers in black and white. So you must dot every i and cross every t in your day-to-day operations.

Being accountable for your nonprofit requires that your books adequately reflect your activities. You need sound financial management by qualified individuals to keep your head above water. I wish you could focus only on your programs and the people whom you help, but you need a penny pincher and a number cruncher to keep up with the money coming in and going out. This chapter serves as a jumping off point into the world of nonprofit bookkeeping and accounting and touches on the important concepts. Throughout this book, I then dive deeper into these topics.

## Getting Started with Your Nonprofit's Books

Before you can fully get going with your books, you first need to know where to begin. Start by identifying your destination: to have audited financial statements. You begin with a journal entry of a transaction, in which you record the exchange of something (money or time) for something else (products or services). Every financial transaction creates a record or document to support its occurrence. For example, if you buy a pen, you either give up cash or add to your charge account.



Adapting the habits of a packrat isn't a bad idea when it comes to keeping up with your paperwork. Hold on to every receipt and record it in the proper location by posting to the right accounts. The central location of most transactions starts with your checking account in which you make deposits from donors and write checks to pay the bills. The key to properly tracking your steps starts with your checkbook. (Check out Chapter 7 for more on getting a checkbook going.)

Of course, lots of things happen during the course of an accounting year. This section outlines the basics of nonprofit bookkeeping and accounting and what you need to understand before you can delve into your books.

### Identifying the difference between bookkeeping and accounting

Before you can make sure your nonprofit's books are okay, you need to have a firm understanding of bookkeeping and accounting. Here are the main differences. Chapter 2 provides more insight on the two.

A bookkeeper records day-to-day activities by recording one side of the transaction. They usually record transactions when cash changes hands (called the *cash basis* of accounting; see the next section for more details). Usually bookkeepers pass the books to the accountant at the end of the year to generate financial statements.

Accountants balance both sides of a transaction (the debit and credit sides) by evaluating how one transaction affects two or more accounts. Accounting isn't complicated mathematics; it's adding, subtracting, dividing, and multiplying, with some analysis thrown in based on principles and rules written by the profession. Accountants dig a bit deeper into understanding the treatment of accounts or the right way to handle financial situations based on principles. A bookkeeper may not be able to analyze accounts, but she can record the transaction.

You may say, well, what's the real difference here. Accountants understand the why of everything that takes place, whereas a bookkeeper may not grasp the concept behind the action. I'm not saying that bookkeepers function like robots, but some bookkeepers haven't had the level of education as an accountant. Accountants have a minimum of a four-year degree, whereas a bookkeeper may be trained on the job to perform her duties.

Accountants also get paid more than bookkeepers. You're likely to have a bookkeeper on your payroll to perform day-to-day functions and an accountant on retainer to put together reports on a quarterly or annual basis.

Some accountants take a standardized test, called the CPA exam, to prove they know the mechanics and ins and outs of the profession. Accountants who pass the test are called *certified public accountants (CPAs)*. CPAs are the only individuals who can audit your financial statements.



Don't be intimidated by CPAs because they have passed this tough exam. By all means, show some respect for their devotion to analyzing your financial situation, but do use their knowledge and ask them some questions about your affairs. That's what you're paying them for!

## *Picking your accounting method*

Your *accounting method* determines when you record activities. Your accounting method answers this question: Do you record a transaction when it happens or when cash exchanges hands?

You have two choices:

- ✓ **Cash basis:** This method records transactions only when cash is received or paid. Bookkeepers use this method.
- ✓ **Accrual basis:** This method records revenues when they are earned, expenses when they are used, and purchases when they take place. Accountants use this method.

For example, if you ordered copy paper over the Internet for your office and charged it to your account, when does the transaction take place? Does it happen when you charge the purchase to your account? Or does it transpire when you pay the bill? If you were using the cash method, you'd record the transaction when the bill is paid. If you were using the accrual basis of accounting, you'd record the transaction right after charging the purchase to your account. Check out Chapter 2 for more in-depth discussion about these two methods and which one may be best for your nonprofit.



## Keep watch over your nonprofit's finances

Sometimes nonprofit directors and managers feel they don't have the knowledge to do their own books, so they turn everything over to a CPA. This book gives you the help you need to do some of your nonprofit's basic bookkeeping and accounting. However, you may rightfully need a licensed professional to help with the more technical aspects of keeping your nonprofit's books. That's where a CPA can help. However, when using a CPA, don't put all of your eggs in one basket. Although most CPAs are trustworthy and knowledgeable, I strongly suggest you keep some checks and balances in place to prevent any potential fraud. *Checks and balances* are periodic times when you sit down with your CPA for a layman's analysis of what's going on with your finances. You can also check for ways to improve your accounting procedures. (Check out Chapter 2 for more info.)

Don't become a victim by trusting a CPA to handle everything without asking questions. All too often, the media reports on an accountant or CPA embezzling funds from organizations. Oftentimes employers trust them because they don't want the hassle of trying to understand the lingo. Therefore, many fall victim to situations that can be prevented. To avoid these problems, keep a close eye on your finances

and ask your CPA questions. Also have someone in your office who works with the numbers so you're not leaving everything up to your outside CPA.

For example, I received a call from a small boating company that had been taken for \$80,000 by its accountant. The woman on the phone was hurt because the accountant had robbed the company of its entire savings. The accountant took care of everything — made all the purchases, paid all the bills, wrote all the checks, balanced the books — and never missed a day of work.

This accountant also owned a check-cashing company. This allowed him to write checks to individuals and companies and cash them at his check-cashing store. This setup was a neat little scheme until the bottom fell out. One day the accountant took ill and couldn't report to work for a week. The owners had to take care of the payroll and accounts payable. When they reviewed the books, they found out that they were flat broke.

The owners could have prevented this situation by not allowing the accountant to collect the money and pay the bills. They needed to find someone else to handle one of those tasks. This is called *segregation of duties*.

## Understanding the basic terms

Before jumping into bookkeeping and accounting, make sure you understand some basic terminology. Throughout this book, I use the basic language the professionals use. That's all you need to get a good grasp of processes and procedures. There's no need to add another nerd to the accounting profession. Here I only share the need-to-know information.

To break down the accounting process, start with the basic accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner's equity}$$

This equation needs to stay in balance. That's why some call it *double-entry accounting*. (Check out Chapter 2 for more info on double-entry accounting.) What happens on one side must take place on the other in order for everything to stay in balance.

To help you understand how you can use this equation, I cover the accounts found on your *statement of activities* (the nonprofit term for what the for-profit world calls the *income statement*) and your *statement of financial position* (the nonprofit term for the for-profit *balance sheet*). Walking through the equations used to complete these two statements gives you an accurate picture of your nonprofit's financial situation. Knowing these two equations can make you a better decision maker and better financial manager by understanding how every transaction affects your financial statements.

- ✓ **Statement of activities equation, also called the income statement equation:** Revenues – Expenses = Income
- ✓ **Statement of financial position equation, also called the balance sheet equation:** Assets – Liabilities = Equity or Assets = Liabilities + Equity (*equity* explains the difference between assets and liabilities)



Your statement of financial position summarizes how financially stable your organization is and how solvent it is. A quick eye can look at this statement and gain great insight into your future to determine whether your organization can sustain the forces of the market. (Check out Chapter 16 for more about how this statement works.)

### ***Assets, liabilities, and equity***

Think of *assets* as something that you own or that adds value. Think of *liabilities* as something you owe or that takes away. Think of *equity* as the difference between the assets and liabilities.

An asset adds value, whether it's monetary or not. Examples of assets are

- ✓ Accounts receivable
- ✓ Buildings
- ✓ Cash
- ✓ Equipment
- ✓ Furniture

- ✓ Homes
- ✓ Inventory
- ✓ Pledges receivable
- ✓ Prepaid expenses
- ✓ Property (land)
- ✓ Vehicles

A liability is something you owe or an obligation of time, money, or resources. Anything that must be paid is considered a liability. Some common liabilities are

- ✓ Accounts payables
- ✓ Accrued expenses
- ✓ Bills
- ✓ Car notes
- ✓ Mortgages
- ✓ Notes payable
- ✓ Short-term payables
- ✓ Utility bills

Equity is the difference between assets and liabilities. Equity is your *net worth* and is also referred to as *net assets*. When you have a list of all assets and all liabilities, you have everything needed to calculate your net worth. *Net* means the remainder after positive and negative amounts are combined.

Your goal at the end of the year is to have an increase in net assets and not a decrease in net assets. This means your net worth has increased.

### ***Debits and credits***

Accounting reflects what happens financially by increasing and decreasing accounts in the form of debits and credits. After you grasp the *normal balances* — what it takes to increase an account — for all accounts, you'll know when to apply debits and credits.

Accounts are like coins in that they have two sides:

- ✓ The left side is the *debit* side of an account.
- ✓ The right side is the *credit* side of an account.

Some people refer to this as *T accounting* because the record keeping is set up in the shape of a giant T. Imagine taking a piece of paper and drawing a horizontal line across the top and a vertical line down the middle. You've drawn a large T. On the left side of the vertical line you record debits, and on the right side is where credits go.

For example, take the statement of financial position with its assets and liabilities. Asset accounts normally have a debit balance, so the normal balance for assets accounts is a debit balance. *Normal* balance of any account is a positive amount or what is done to increase that account. So if you want to decrease an asset, you credit it. Asset accounts are debited for increases and credited for decreases. On the flipside, the normal balance for all liability accounts is a credit balance. To increase a liability account, you credit the account. To decrease a liability, you debit the account. Liability accounts are debited for decreases and credited for increases.

Debits and credits are done through double-entry accounting to keep your accounting equation in balance. Every transaction affects two or more items in your accounting equation. When you record entries in two or more places, you're doing *double-entry accounting*.

Throughout your accounting period, you make debits and credits not only to your statement of financial position accounts, but also to your statement of activities accounts. Understanding how to increase and decrease these accounts is important.

- ✓ Revenue accounts are debited to decrease and credited to increase.
- ✓ Expense accounts are debited to increase and credited to decrease.

These mechanics are part of double-entry accounting, and the basis of every transaction is knowing what to do to increase and what to do to decrease an account. Check out Chapter 2 for more on double-entry accounting.

## *Adhering to GAAP*

Before you can play a game, you read the instructions, right? Well before you can fully understand bookkeeping and accounting for your nonprofit, you have to familiarize yourself with the ground rules. The ground rules of the accounting profession can be attributed to *generally accepted accounting principles (GAAP)*. GAAP are the standards that accountants follow when making decisions about how to handle accounting issues. Call them the rules of the profession.

GAAP were put in place to help accountants put their clients' needs first and behave ethically. The idea is to make sure that your accountant treats you and your nonprofit's business the same as he treats his other clients, and that all accountants are playing by the same rules. See Chapter 9 for more on GAAP.

## Keeping a paper trail

Leaving tracks in the sand is essential to proper management of your nonprofit's books. You need documentation to prove why you did what you did. It adds credibility to your management of funds. Good housekeeping starts by keeping your checkbook register balanced (see Chapter 7) and continues with maintaining organized records (see Chapter 4).

It's best to keep copies of where every donation comes from and how each dollar is spent. Part of being a good steward is leaving marks in the sand to account for your nonprofit activities.



Watch out for your debit cards issued by your bank. Transactions for these cards are so easy to forget to record in your checkbook register. They're like the little foxes that catch you off guard.

Additionally, your auditor will want to backtrack in your steps to find the initial record that began a single transaction. Auditing is like looking for a needle in a haystack. Sometimes only your auditor knows what she's looking for and why, but you have to let her look. Getting an audit of your financial statements is a necessary part of keeping your nonprofit status. Chapter 20 tells you what to expect during an audit.

## Auditing 101: It's a GAAS!

In addition to playing by the rules when keeping your nonprofit's books, you also need to follow other important rules concerning audits. *Generally accepted auditing standards (GAAS)* are rules or standards used to perform and report audit findings. *Auditing* is gathering and reviewing evidence about your organization to report on the degree between the way your nonprofit's financial information is presented and the standards set by rule makers. The American Institute of Certified Public Accountants (AICPA) sets the rules and requirements for audits, among other things.

Auditors give opinions by writing a report about your operating procedures, compliance with specific laws, and whether your financial statements are stated according to GAAP. As a nonprofit director or manager, you need to be concerned with three types of audits:

- ✓ An audit of financial statements, sometimes called an *accounting audit*, verifies whether statements have been prepared according to GAAP. Check out Chapter 20 for what happens during this type of audit.
- ✓ A compliance audit, sometimes referred to as a *grant audit*, reviews your financial records to determine whether your nonprofit is following specific procedures, rules, or regulations set down by some higher authority, like the IRS or some other government or rule-making body. See Chapters 9, 12, and 20 for more information about compliance.

- ✓ An operational audit (also called the *management audit* or *performance audit*) measures and evaluates how efficiently you're operating and how effectively you're managing your nonprofit's resources. Boards of directors often request this audit to evaluate organizational structure, computer operations, marketing, and so on.

## *Making Sure Your Books Are Balanced*

Staying on top of your nonprofit's financial activities is important because as the director, you can be held accountable. The way to start is making sure you have balanced books. *Balanced books* are up-to-date current information about your accounts. Every transaction that takes place affects two or more items in accounting, and you have to make sure everything stays in balance. Whether you create your own manual system or take advantage of the software on the market, you need to keep your books in order.

This section walks you through some basics to help you ensure your books are balanced. Follow the chapters in Part II for tools to assist you in maintaining balanced books.

### *Establishing a chart of accounts*

Your *chart of accounts* is your blueprint for assigning numbers to specify accounts and having a method to track all accounts. By having a chart of accounts, you can recognize what type of account it is based on the beginning number. For example, accounts beginning with 1 are usually assets accounts. After you get used to using the chart of accounts, you'll enjoy the benefits of coding transactions according to their classification. Chapter 5 has more on setting up your chart of accounts.

### *Tracking transactions*

To have a firm grasp on your nonprofit's financial status, your records have to be accurate. The only way to have accurate records is to record transactions when they take place.

Tracking your revenues and expenses is like in-house overdraft protection. It helps you know when you're short on cash and when you've got plenty of money to pay the bills. For example, you know the feeling you get when someone doesn't cash a check you've written? That outstanding check sort of bugs you and leaves you wondering if the check is lost. Then, one day after a few months, the check clears. Without a good tracking device or accounting system, you can easily lose track of your true checking account balance.



So how can you keep track of transactions? Don't feel overwhelmed. You don't need a PhD in aeronautical engineering. The following are a couple of easy ways to track them. Check out Chapters 6 and 7 for more on recording transactions and using a checkbook.

- ✔ **Use online banking.** Online banking gives up-to-date current balances anytime, day or night.
- ✔ **Itemize your transactions when they happen.** When you swipe your credit card or bank debit card, write it down right away in your checkbook register.



One of the most important things you need to keep track of is your donors list. A donors list includes contributors' names, addresses, and phone numbers, as well as the donation dates. Your auditor will use this list to verify where the money came from and when.

## Developing a budget

Your *budget* is your financial plan. It tells you how much money you have, how much you expect to receive, and how much you expect to spend. When you create a budget, you develop a formal plan for paying for your organization's future activities.

You not only need an operating budget for your organization, but you also need a separate budget for each and every program. Chapter 8 explains how to create a budget.



Always know how much money is needed to operate your nonprofit. If a private donor asks, you should know the exact amount needed to *break even* (the amount of money it takes to run all programs and pay all expenses within a given year).

## Staying within the lines: Compliance

Only a few things can knock your nonprofit off the map. Not filing your paperwork with the IRS, operating as a for-profit entity, and playing political games can throw you out of the nonprofit loop. As long as you operate according to your bylaws, stay out of political activities, and jump through all of the IRS's hoops you'll be in compliance.

In addition, you have to mind some accounting standards: generally accepted accounting principles (GAAP), rules set by the Financial Accounting Standards Board (FASB), and laws established by the Sarbanes-Oxley Act (SOX). I explain the ins and outs of these guidelines in Chapter 9.

## *You're in the Money: The Lowdown on Federal Grants*

Finding donations and revenue for your nonprofit may be frustrating at times. The good news: The federal government provides free money in the form of grants that you can apply for and not have to pay back. Grants come in all sizes, from preemies of \$10,000 to supersizes of \$1 million. And you don't need to be an established nonprofit to apply for funding. Even if you're small and new to the scene, you automatically qualify for a piece of the government grant pie. Take a slice and find viable solutions to your financial problems.

There is no way I would attempt to run a nonprofit without consulting with my rich Uncle Sam. Positioning your organization to receive grants requires four important things:

- ✔ **Organization:** You need to keep up with the paperwork involved to make the application and management process easier. I offer some steps in Chapter 10 that get you started in the right direction.
- ✔ **Reading:** In order to understand the dos and don'ts of how to put together your grant application, you need to carefully read all the paperwork. When you discover how many grants are available for you, it's gonna blow your mind.
- ✔ **Writing:** You need to put your plan on paper. Federal proposal writing is different from other writing you may do on a regular basis. I show you how to write about the facts and figures to prove your need, the steps to fulfill the need, the group of people who will carry out the plan, and how you will evaluate your results.
- ✔ **Accountability:** To fulfill reporting requirements, you need to be accountable. You successfully receive the grant; now you have to tell the government how you're spending the grant money and how many folks are benefiting from the funds.

This section gives you a snapshot of the federal grant process. Chapters 11, 12, and 13 provide an appetizing bite of what can become a buffet of federal money. Then you can stop worrying about how to fund your programs and focus on helping people.

### *Gleaning some grant basics*

*Grants* are award instruments given by the federal government to implement programs that benefit people. You don't have to pay grants back — they're not loans. It's free money! Figuring out the grant application process is easy, and the benefits of receiving a grant are phenomenal.

Although many sources other than the federal government offer grants, I focus on Uncle Sam's jackpot. Billions of dollars are available from 26 federal agencies to:

- ✓ Help nonprofits implement programs to benefit communities
- ✓ Do work that government can't do
- ✓ Carry out a public purpose

Chapter 11 explores how grants can help your nonprofit's bottom line.

## Following the rules

When your nonprofit gets federal grant money, you're not free to spend it as you wish. Grant money does have its red tape and paperwork, but you can't afford to overlook the number-one grant maker in the nation (other than Bill Gates). The federal government is the perfect place to research and secure grant funding.

It's a bit tricky to manage a grant, but after you get your first one behind you, managing others is like clockwork. Tick! Tock! Chapter 11 provides more insight to managing grant money.



The main challenge of managing a federal grant is submitting two reports in a timely manner. These reports tell the government

- ✓ What progress you've made toward your program goals to date
- ✓ How you've spent the federal money and how much is left

After you master the rules, you can play the grant game like a pro and become a grant guru.

## Going through a grant audit

For many, the word *audit* brings to mind the freezing of assets and the endless search for paper trails that may lead to the discovery of something that wasn't handled properly. For the record, an *audit* verifies and confirms the accuracy of your financial records and your compliance with the grant requirements.

The grant audit is usually conducted by someone from the granting agency. Your grant auditor checks out the federal government's investment by seeing if you're a good steward of grant dollars. Basically, the auditor wants to view

your accounting system to see how you separate your grant money from the rest of your money. Your auditor also looks at other areas, such as your organization's travel, personnel, and purchasing policies and procedures. Don't sweat it because I prepare you for the grant audit. I've been on both sides of the grant audit. I've audited others, and I've been audited. Chapter 12 walks you through what to expect during a grant audit.

## ***Paying Uncle Sam: Employee Payroll Taxes***

Although your organization is a nonprofit and is exempt from paying federal taxes, don't make this huge mistake: You're still responsible for paying federal payroll taxes for all of your employees. Unfortunately you can't avoid doing so (unless you want to end up in the clinic for a while and have your nonprofit closed).

When you pay federal employee payroll taxes, usually on a quarterly basis, your payment consists of the employees' FICA withholdings. These taxes are for Social Security and Medicare and are taken out of employees' paychecks. Both Social Security and Medicare are financed primarily by employment taxes.

You are the steward of this money, and you need to submit it to the Social Security Administration and the IRS in a timely fashion. Hey, don't worry too much about this one, because you can do it yourself and save your organization some money.

After you've walked through this process a couple of times, you'll be able to calculate your payroll taxes yourself. Most payroll taxes are paid quarterly, and the feds will tell you when and how to pay. Chapter 13 gives you the lowdown on paying payroll taxes.

## ***Getting a Grasp on Financial Statements***

*Financial statements* are records of where your revenue comes from, where it goes, and where it is now. Your financial statements are important because they summarize your nonprofit's activities for a specific time period, as of a certain date. Check out the chapters in Part IV for more in-depth explanations on these statements and how you can create and use them to keep track of your organization's finances.



## Soliciting donors

In a class I took a few years back at Auburn University in Montgomery, Alabama, the teacher talked about soliciting gifts and how Ida Bell Young had left land and a tremendously large gift to AUM. The teacher explained how he had visited Mrs. Young on numerous occasions, and she had never indicated that she was going to give the university a dime.

Mrs. Young, like so many others, was looking for a worthy cause to leave her fortune to. As the executive director or manager of a nonprofit, you're probably always looking for big donors like Mrs. Young. Soliciting a gift is a courtship, and you have to be persistent, patient, and exercise a lot of faith.

Your financial statements include

- ✔ **Statement of activities:** Also called the *income statement*, the statement of activities lists all revenues earned and all expenses paid for a time span of usually one year. It indicates whether your organization earned income by showing revenue collected, expenses incurred, and the difference between the two. The difference between revenue and expenses is net income or increases or decreases in equity or net assets. Refer to Chapter 15 for more info.
- ✔ **Statement of financial position:** Also referred to as the *balance sheet*, this statement reveals your solvency and stability by summarizing your assets (things you own) and liabilities (things you owe) and calculates your *net worth*, the difference between what you own and what you owe. Your statement of financial position reports your organization's assets, liabilities, and equity as of a certain date. The difference between assets and liabilities equals your equity. Check out Chapter 16 for more.
- ✔ **Cash flow statement:** This statement evaluates all inflows and outflows of cash for the accounting period according to the activity. The cash flow statement breaks activities into three categories: operating, financing, and investing. See Chapter 17 for more on the cash flow statement.
- ✔ **Statement of functional expense:** This statement breaks down your expenses by category. The three categories of expense are program expenses, management and general expenses, and fundraising expenses. After you've completed the income statement, your statement of functional expense takes your total expenses from activities and divides them by their functions. See Chapter 18 for functional expense classifications.

✔ **Notes to the financial statements:** The notes section tells the story behind the numbers. The notes describe your organization, explain your accounting methods, and explain any changes in those methods, potential lawsuits, or contingencies that threaten the livelihood of your existence. Plus they provide detailed information for some of the amounts in the financial statements.

In addition, the notes clarify all restricted assets. In the notes you find pertinent information about bonds and notes payable. Anything that can have a material impact on your organization should be disclosed in the notes to the financial statements. See Chapter 19 to understand the importance of completing the notes to your financial statements.

## *Figuring Out Where Your Nonprofit Is: Five Important Questions*

So many executive directors and managers of nonprofits live on the edge. Some stay up nights worrying about how they're going to keep the lights on. Others wonder where they're going to find funding to keep their programs running. Wouldn't you like to relax a bit? Your relationship with your organization shouldn't be like fighting with your spouse about money.

Don't worry anymore. You don't have to live in crisis mode any longer. Here I provide five common questions you may have and give you some answers to make your life a little easier.

- ✔ **Why do I need a system to track and record revenues and expenses?** You need to do so because you're a good steward of the funds you manage, and you want to keep your supporters happy. A good steward is wise and prudent in the way he handles money. You first want to establish and then maintain a good reputation as being a good investment. You need a bookkeeping system that tracks and accounts for the funds you manage. Tracking and keeping up with the money that comes into your organization (revenues) and the money that goes out of your organization (expenses) makes you accountable and gives your nonprofit credibility.
- ✔ **I need more stable sources of income to fund my programs. How do I go about finding those?** I am glad you asked this question. Here is what you need to do. Get grant money! The most stable source of income for you is government grants. First do a little research. Then start reading. Now start writing. The final step is to manage your money. Don't hesitate; get your piece of the American pie today. See Chapters 10 and 11 for actual steps to take and where to turn.

- ✔ **What do I need to do with my records so I'm ready if I'm ever audited by the IRS?** One thing I've noticed about the government is how much it loves documentation. Record and store for safe keeping the transactions you make. Leave a paper trail that leads to every purchase. In other words, keep copies of everything pertaining to income received, expenses paid, and assets purchased. In real estate, it's all about location, location, location. With the IRS, it's document, document, and document. Chapter 4 can help you set up a record-keeping system.
- ✔ **My money is unpredictable so why do I still need an operating budget?** Whether you're flat broke and don't know where the next dime is coming from or have millions in the bank, you always need to have an operating budget. You need to know how much is needed to operate your organization on a weekly, monthly, quarterly, and annual basis. Your operating budget is your financial plan. Check out Chapter 8 for more advice.
- ✔ **What do I need to know about complying with IRS guidelines to keep my nonprofit status?** One thing that applies to all nonprofits, no matter how big or small, is filing information with the IRS annually through Form 990 or E-Postcard (Form 990-N). Which form you file depends on your annual gross receipts. Turn to Chapter 14 to find out more.