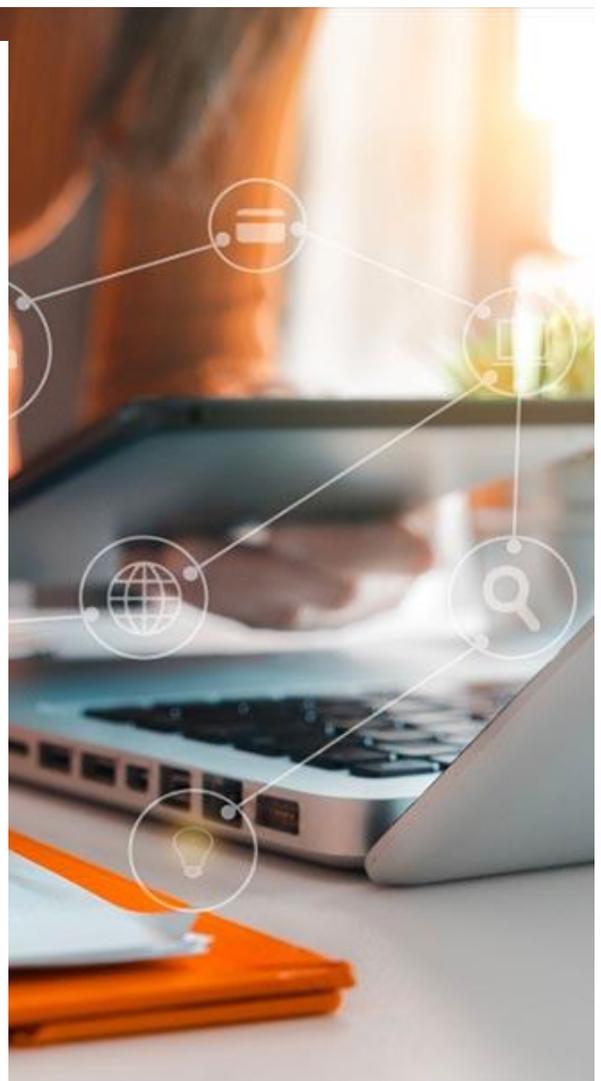


Nonprofit Financial Management: Book Keeper vs. Accountant



ATOP FINANCIAL SERVICES
We specialize in the details.





Nonprofit Bookkeeper vs. Accountant, Who Should You Hire?

Nonprofit Management for Executive Directors and Nonprofit Accountants

Most nonprofits generally rely on their executive director to take on all of the financial responsibilities necessary to run the organization. This means they are simultaneously the nonprofit bookkeeper and the accountant for the organization.

ATOP's bookkeepers and accountants will help manage every financial need at your nonprofit.

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However, these two positions are better handled when they're separated from one another and taken on by two different people. Nonprofits may start doing this by asking for volunteers to cover the responsibilities. Even when you do this, though, you need a thorough understanding of the differences between the roles to be sure you understand who is responsible for what.

In this guide, we'll get into the differences between nonprofit bookkeeping and accounting so that you know who to hire, outsource, or otherwise rely on for your nonprofit's finances. We'll cover the following:

1. What does a nonprofit bookkeeper do?
2. How does an accountant differ from a nonprofit bookkeeper?
3. How do I hire a nonprofit bookkeeper or accountant?

Whether you decide to recruit volunteers, outsource the services (our recommended route), or hire internally for these positions, your organization should understand what you're looking for in each role.

Ready to learn more? Let's go.

What does a nonprofit bookkeeper do?

Nonprofit bookkeepers are responsible for the day-to-day activities of the nonprofit organization. They track and manage the daily transactions for the organization and record the regularly occurring financial changes.

Nonprofit finances operate differently from for-profit organizations. There are restrictions associated with some finances, nonprofit grants that must be used for specific projects, and other intricate details that must be adhered to when entering and organizing data. That's what your nonprofit bookkeeper needs to understand.

A bookkeeper's duties include:

- **Basic data entry.** Bookkeepers record all of the expenses, donations, transactions, and other financial data in an organized software solution or spreadsheet.
- **Recording one side of a transaction.** For example, a bookkeeper will pay bills such as rent, utilities, water, and other necessary operational expenses.
- **Writing checks and making deposits.** Nonprofit bookkeepers handle general payments and deposits. Then, they record this data in the organization's chart of accounts.
- **Processing payroll.** While there is some overlap between bookkeeping and HR departments when it comes to payroll, most small to mid-sized organizations allow this responsibility to fall with the nonprofit bookkeeper.
- **Allocating costs.** Nonprofit bookkeepers must make the necessary allocations to keep expenses organized. For instance, bookkeepers may allocate costs by program, administrative, and fundraising.

Whenever funds change hands or data needs to be recorded regarding nonprofit finances, a nonprofit bookkeeper is responsible for keeping those records up-to-date and organized.

A bookkeeper is not required to analyze transactions and often lacks the experience and education to do so effectively. Instead, they focus on laying the foundation for the accounting processes that will follow. They make sure everything is organized and correct

so that any and all financial reports are also accurate and ready for the accountant to review and analyze.

Learn more about ATOP's bookkeeping services!

How does an accountant differ from a nonprofit bookkeeper?

While a nonprofit bookkeeper inputs and organizes financial data for an organization, your accountant acts more as a problem solver, pulling together reports and interpreting those reports to make financial decisions for the organization.

Working as an accountant requires at least a four-year education. This degree is almost always in the field of accounting. Accountants also have the ability to take a specialized test that proves their knowledge and increases their credibility as an accountant. Passing this test will give an accountant CPA status, endorsing them as a “certified public accountant.”

Your accountant is responsible for duties such as the following:

- **Reviewing all accounts.** Accountants will make sure everything looks correct in the nonprofit's accounts to make sure the organization is on track for future goals.
- **Balancing both sides of a transaction.** Accountants handle the balancing of both the credit and debit sides of a double-entry bookkeeping system.
- **Determining how a single transaction affects your accounts.** Nonprofit accountants help analyze your statement of financial position to determine the financial health of your organization and the amount of risk you can take on.
- **Understanding the “why” of your accounting situations.** Not only does the accountant need to understand, but they also need to explain it to other staff members clearly. They'll explain your finances to your executive director, who will from there explain everything to the board of directors.
- **Preparing detailed reports.** Accountants compile comprehensive reports about your organization's finances, such as your statement of cash flows, statement of activities, statement of financial position, and statement of functional expense. They'll then interpret the next best actions based on the information in these reports.
- **Comparing actual vs. budgeted expenses/income.** Nonprofit accountants help your nonprofit understand where your actual expenses/income differ from your annual budget.

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- **Comparing actual expenses and income year-to-year.** Comparing your nonprofit's current expenses and income to those from previous years can help create more accurate predictions for the future.
 - **Preparing your books for audit.** Your nonprofit accountant can recommend an auditing firm to conduct a financial audit for your organization. Then, they'll make sure all transactions are captured, bank accounts reconciled, reports created, and other audit preparation tasks completed.
 - **Filing your nonprofit's Form 990.** All nonprofits must file an annual Form 990 in order to report financial data back to the government and maintain their 501(C)(3) status. Your accountant fills out this important form and runs it by the board for approval before submitting it on time each year.
 - **Reconcile all bank accounts.** Accountants match the cash balances on your balance sheet to the bank account records, resolving any discrepancies between the two reports.
 - **Review all bank accounts to ensure they meet GAAP compliance standards.** Nonprofit accountants keep to internal controls, ensuring both financial security and GAAP compliance standards are met.

As you can see, accountants take the data recorded by nonprofit bookkeepers in order to analyze it and create actionable steps for the organization.

In addition, an accountant will interpret, classify, and summarize your financial data correctly. They ask themselves questions like:

- “Does this look correct?”
- “Is there a better way to present this?”
- “Should this be allocated with a different method?”
- “Have we associated the right expense to the correct category?”
- “Does this budget accurately portray what we expect to happen?”

Fund accounting is unique and nonprofit finances are often made more public than for-profit finances. Therefore, keeping a tight lid on your finances and ensuring that you've made the right decisions is even more important. Your accountant should be ready to take on any challenge and have the experience to answer any questions about your financial health.

Learn more about ATOP's accounting services!

How do I hire a nonprofit bookkeeper or accountant?

There are several ways nonprofit organizations can fulfill the duties of nonprofit bookkeepers and accountants. You may hire a dedicated full-time or part-time staff member, ask a volunteer, assign the duties to an executive position, ask a firm for an in-kind donation of their services, or outsource the responsibility.

Our recommendation? **Outsourcing nonprofit bookkeeping and accounting duties to a nonprofit-specific firm like ATOP.**

Outsourcing these positions provide many great benefits that will help grow your organization. Some of the benefits of outsourcing for nonprofit bookkeeping and accounting services include:

- **It's a less expensive option.** Hiring is expensive! From finding the right candidate to providing the salary and benefits to keep your staff members around, you need to ask yourself if your organization truly needs a full-time bookkeeper and accountant in-house. Outsourcing allows you access to the financial help you need at a fraction of the cost.
- **It provides access to industry experts.** Chances are, if you have a question or a problem with your finances, someone at an outsourced firm will have encountered it before. This background knowledge will help you quickly solve any questions or problems that may come up. Plus, these professionals don't have the same emotional ties to your organization and can provide objective, data-founded recommendations in tough times.
- **It helps you avoid turnover.** If you hire someone in-house, you always run the risk of losing that person, either because they are not performing to standard or because they find a different opportunity elsewhere. However, outsourcing your nonprofit bookkeeping and accounting services provides additional stability, eliminating these potential problems.

Consider the options for your nonprofit. Maybe you need to outsource and hire both a nonprofit bookkeeper and accountant; maybe you have an in-house bookkeeper, but need help with accounting tasks from a certified CPA; or, maybe you simply need help filing your Form 990.

No matter what the case is for your nonprofit, you'll need to conduct the same steps to hire the right person.

Steps to Hire a Nonprofit Bookkeeper or Accountant

When you've decided to hire a nonprofit bookkeeper or accountant, you should first examine your nonprofit's needs. Make a list of the services your nonprofit needs help with, then decide if those are in the realm of nonprofit bookkeeping or accounting.

Then, conduct research about available firms. Check out referrals from trusted nonprofit sources, ask fellow nonprofits which firms they used, and conduct your own research to find potential firms near you. Narrow down the list by comparing services to the list of needs for your nonprofit.

[Look for a firm that provides both nonprofit bookkeeping and accounting services.](#)

While you may just need one or the other right now, you never know how your needs may change in the future. Ensuring your provider offers both services opens up the opportunity to outsource your entire financial department in the future.

Finally, conduct interviews and pick the best firm!

The Best Nonprofit Bookkeeper and Accounting Services on the Market

ATOP's bookkeeping and accounting services are specifically for the nonprofit sector. Their team of trained CPAs and bookkeepers has helped nonprofits all over the country regain control over their finances and grow their missions.

When you work with our nonprofit bookkeepers and accountants, you'll have a complete team of trained experts behind you, answering questions and making recommendations to help you succeed.

Although nonprofit bookkeepers and accountants are so frequently lumped into the same category, it's important to remember the key differences between the two. These differences will help determine the best hiring choices to meet your nonprofit's needs.

Want to learn more about financial services for nonprofits? Check out these additional resources:

- **[Why We Love Nonprofit Accounting.](#)** Learn more about why the experts at ATOP love nonprofit accounting. You should make sure you have someone on your team who is both passionate and an expert in the field.

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- [Nonprofit Bookkeeping and Accounting Services by ATOPservices](#). Get started outsourcing your nonprofit's bookkeeping and accounting services with ATOP. Learn more about our unique approach.