Bookkeeping and Finance

Few functions are more vital to a successful Covenant Partner than developing and maintaining sound bookkeeping and financial management processes and systems. As nonprofits have no profit line against which to manage their finances they are often negligent in monitoring these functions. Doing so, however, is more than good business; it is a matter of stewardship. By carefully tracking income and expense a CP is better able to maximize the funds available to it. Considerations include:

- The CP should engage the services of an accountant early on to assist in developing sound processes and systems. Professional fees can be high, so efforts should be made to obtain pro bono services.

- Accounting software, such as QuickBooks or Peachtree, is relatively inexpensive and should be among the CP's first acquisitions. Considerable time can be saved by setting up an automated system early.

- Affordable accounting software does not typically include a mortgage management component, so a separate system or outside service may be needed.

- In setting up the chart of accounts attention should be given to the three general categories tracked by the IRS: administrative expense, fund raising expense and program. Costs should be tracked within these three general areas.

- The CP should set up systems that segregate cash handling procedures. For example, the individual responsible for bookkeeping should not be a signatory on the bank accounts and cash should be received by one individual and recorded by another. The message is that accounting procedures should be totally transparent and above reproach.

- Construction costs should be recorded by unit to allow for a clear accounting of house building costs.

- Program expenses should equal not less than 80% of total expenses. Donors and the IRS watch program expense ratios closely, and the accounting system should allow the CP to easily calculate them.