Nonprofit Bookkeeping Compliance Checklist

For Executive Directors & Finance Staff | Parkins Financial LLC

Nonprofit financial management has its own set of requirements — fund accounting, restricted versus unrestricted revenue, Form 990 readiness, and grant-compliant reporting among them. This checklist is built for executive directors and finance staff who want to confirm their books meet compliance standards before an audit or filing deadline. Check each item that is currently in place and note any gaps for follow-up.

Check each item that is fully in place. Items left unchecked indicate areas to address before your next audit or 990 filing.

SECTION 1 Fund Accounting & Chart of Accounts

- ☐ Our chart of accounts is organized to separate program services, management & general, and fundraising.
- ☐ Restricted and unrestricted funds are tracked in separate accounts or classes — not combined.
- ☐ Temporarily restricted funds are held in a dedicated account until conditions are met.
- ☐ Permanently restricted funds (endowments, if applicable) are segregated from operating funds.
- ☐ Our chart of accounts follows FASB ASC 958 standards for nonprofit financial reporting.
  FASB ASC 958 governs how nonprofits recognize contributions and report net assets.

SECTION 2 Revenue Classification

- ☐ All contributions are classified as restricted or unrestricted at the time of receipt.
- ☐ Revenue released from restriction is recorded when donor conditions are met, not simply when spent.
- ☐ In-kind donations are recorded at documented fair market value with a corresponding expense.
- ☐ Membership dues, program service fees, and contributions are recorded in separate income accounts.
- ☐ Government grant revenue is classified separately from private foundation and individual contributions.

SECTION 3 Functional Expense Allocation

- ☐ All expenses are allocated across program services, management & general, and fundraising.
- ☐ Our allocation methodology is documented in writing and applied consistently each period.
- ☐ Shared costs (rent, utilities, salaries) are allocated using a reasonable, documented basis such as square footage or time studies.
- ☐ A Statement of Functional Expenses is prepared at least quarterly.
- ☐ Payroll costs for employees working across multiple functions are allocated by documented time percentages.

SECTION 4 Form 990 Readiness

- ☐ All prior Form 990 filings are current and copies are retained in our records.
- ☐ Compensation figures for officers, key employees, and highest-paid contractors are documented.
  IRS requires disclosure of compensation for employees earning over $100,000 and contractors over $100,000.
- ☐ Board member names, roles, and any related-party relationships are documented and current.
- ☐ All related-party transactions are identified, reviewed by the board, and disclosed.
- ☐ Our conflict of interest policy is in writing and signed annually by all board members.
- ☐ Required schedules (Schedule A, B, and others) are identified and supporting documentation is maintained.

SECTION 5 Grant Compliance & Reporting

- ☐ Each active grant has its own budget and expense tracking record within our accounting system.
- ☐ All grant expenditures are supported by source documentation — receipts, invoices, or timesheets.
- ☐ Indirect cost rates are applied consistently and documented with a written methodology.
- ☐ Grant reports are submitted on schedule per each funder’s requirements without exception.
- ☐ If federal funds are received, Uniform Guidance (2 CFR 200) compliance has been confirmed.
  Organizations expending $750,000+ in federal awards in a year are subject to a Single Audit.

SECTION 6 Audit Preparation & General Compliance

- ☐ Bank and investment accounts are reconciled every month with no unresolved discrepancies.
- ☐ The general ledger is reviewed, adjusted, and closed on a monthly basis.
- ☐ Year-end financial statements — Statement of Financial Position, Statement of Activities, and Cash Flows — are prepared annually.
- ☐ Any findings or recommendations from the most recent audit management letter have been addressed.

How to Read Your Results

22 – 25 items checked
COMPLIANCE IN GOOD SHAPE
Your books reflect sound nonprofit financial practice. A periodic review with a specialist can confirm readiness.

15 – 21 items checked
GAPS TO ADDRESS
Several compliance areas need attention. Prioritize Form 990 and grant reporting items before your next deadline.

Fewer than 15 checked
PROFESSIONAL REVIEW NEEDED
Significant compliance gaps exist. We recommend a nonprofit bookkeeping review before your next audit or filing.

Want a professional compliance review for your nonprofit?

Parkins Financial LLC provides outsourced nonprofit bookkeeping and accounting services nationwide.
We’ll review your books, identify compliance gaps, and build a reporting structure your auditors will trust.
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