

## Curriculum Guide for Presentations on:

### ***Introduction to Fund (Not-for-Profit) Accounting for Treasurers and Managers***

**Goal:** To acquaint treasurers and managers with the purpose and rationale for fund (not-for-profit) accounting, with the goal of making the financial statements prepared under fund accounting both understandable and useful for decision-making. This presentation is not intended for accountants who will be making the entries. That level of detail would be appropriate in a follow-up presentation to this introductory presentation.

*Points to cover when presenting on fund (not-for-profit) accounting for treasurers and managers:*

1. Define the components and purpose of each financial statement:
  - a. Statement of Financial Position
  - b. Statement of Financial Activity
  - c. Statement of Changes in Net Assets
  - d. Statement of Cash Flows

When defining each of the above financial statements, relate the names of the statements under fund accounting to the more familiar names used for financial statements under corporate accounting (e.g., Balance Sheet; Income Statement; Statement of Owners' Equity).

2. Outline the purpose of fund (not-for-profit) accounting (e.g., to emphasize the stewardship responsibilities of the organization, which requires that activities are divided into funds, with particular focus on the donor's restrictions on the net assets). Note that fund (not-for-profit) accounting is required by Working Policy for all organizations except those acting like a business (e.g., publishing houses, book centers or food factories) or those who do not own property.
3. Describe that transactions are classified by:
  - a. Activities
  - b. Objectives
  - c. Limitations
4. The activities, objectives and limitations are specified (i.e., determined) by:
  - a. Donors
  - b. Outside sources
  - c. The governing committee
5. Clarify the definitions of: "restricted" (i.e., by the donors) and "allocated" (i.e., by the governing committee).
6. Define a "fund" (i.e., a separate accounting entity with a self-balancing set of accounts)

7. Note that transactions within and between funds require a complete entry (both debit and credit) in each fund because each fund is a separate entity. Explain the use of “Due From” and “Due To” accounts to record inter-fund transactions if cash is not transferred. Note that if cash is transferred between the funds, the use of “Transfer” accounts is appropriate.
8. Cite the advantages of fund (not-for-profit) accounting:
  - a. Assists in complying with restrictions on the use of funds as imposed by donors or the governing committee.
  - b. Assists in assessing financial condition of the organization and the availability of funds for achieving its mission.
  - c. Assists in comparing actual results with the budget for the respective missions of the organization.
  - d. Assists in evaluating efficiency and effectiveness of the organization in meeting its mission.
9. Identify the common types of funds (e.g., operating, plant, retirement, endowment) and explain the purpose of each type of fund.
10. As time permits, the presenter may include examples of financial statements using fund (not-for-profit) accounting (perhaps from the SDA Accounting Manual) and go into greater depth regarding the purpose of each fund, the accounts associated with each fund, and further explanation of those accounts with which the audience may be unfamiliar (e.g., net assets in the Operating Fund or the difference between the “Unexpended Plant” and the “Net Invested in Plant” funds).