



# Bookkeeping Standard Operating Procedures (SOP)

[Nonprofit Organization Name]

Effective Date: [Insert Date]

Prepared By: [Name/Title]

Approved By: [Board/Executive Director]

## 1. Purpose

This SOP establishes simple, clear bookkeeping procedures to:

- Maintain accurate financial records
- Ensure transparency and accountability
- Support board oversight
- Prepare for audits and tax filings
- Reduce risk, even with limited staff

## 2. Roles & Responsibilities (Small Team Structure)

Because staff is limited, responsibilities may overlap—but must still include **checks and balances**.

### Executive Director (ED)

- Approves expenses
- Reviews financial reports monthly
- Oversees financial operations

### Bookkeeper (Internal or Outsourced)



- Records transactions
- Reconciles accounts
- Prepares financial reports

## **Board Treasurer (or Finance Committee)**

- Reviews financial reports monthly/quarterly
- Reviews bank reconciliations
- Provides oversight

## **3. Accounting System**

- Use **QuickBooks Online**
- Maintain a **simple chart of accounts**
- Use **fund or class tracking** for restricted funds
- Limit system access to authorized users only

## **4. General Bookkeeping Procedures**

### **Frequency**

- Transactions should be recorded **weekly or monthly (minimum monthly)**

### **Process**

- Enter all income and expenses
- Assign correct category and fund
- Attach receipts or documentation when possible

### **Review**

- Bookkeeper reviews entries
- ED or Treasurer reviews monthly reports



## 5. Revenue Procedures

### Donations

- Record all donations promptly
- Identify donations as **restricted or unrestricted**
- Maintain donor records in a donor tracking software separate if possible, and reconcile this software with bookkeeping software monthly or quarterly.

### Grants

- Track each grant separately
- Store grant agreements
- Code expenses to appropriate grant

### Deposits

- Deposit funds within **3–5 business days**
- Keep deposit records

## 6. Expense Procedures

### Approval

- All expenses must be approved before payment
- ED approves most expenses
- Board approves large expenses (e.g., over \$1,000)

### Documentation

- Every expense must include:
  - Receipt or invoice
  - Purpose of expense

### Payment Methods



- Preferred: Check, ACH, or credit or debit card
- Avoid cash whenever possible

## **7. Bank Reconciliation**

### **Frequency**

- Monthly (required)

### **Process**

- Match transactions to bank statements
- Identify and resolve discrepancies

### **Review**

- Reconciliation completed by bookkeeper
- Reviewed by Treasurer or ED

## **8. Accounts Payable (Bills)**

- Record bills when received
- Track due dates
- Pay bills on time
- Maintain vendor records

## **9. Accounts Receivable (if applicable)**

- Issue invoices for services/programs
- Track outstanding payments
- Follow up on unpaid balances



## 10. Payroll Procedures

- Use a payroll provider (recommended)
- Approve timesheets before processing
- Record payroll in accounting system
- Ensure payroll taxes are filed

## 11. Financial Reporting

### Monthly Reports

- Statement of Financial Position
- Statement of Activities
- Budget vs Actual

### Review Process

- Bookkeeper prepares reports
- ED reviews monthly
- Board reviews quarterly (or monthly if possible)

## 12. Budgeting

- Prepare annual budget
- Approved by Board
- Compare actual results monthly
- Investigate major variances

## 13. Internal Controls (Critical for Small Teams)

Even with limited staff, implement these:

- ✓ Separate duties where possible
- ✓ Require approval for expenses
- ✓ Monthly bank reconciliation



- ✓ Board oversight
- ✓ No single person controls all financial processes

## 14. Document Retention

Keep records for:

- Bank statements: 7 years
- Financial reports: 7 years
- Receipts/invoices: 7 years
- Form 990: permanently

Store securely (cloud recommended)

## 15. Audit & Compliance

- Maintain organized financial records
- Prepare for annual tax filing (Form 990)
- Support audits if required

## 16. Monthly Close Checklist

Each month:

- ✓ Record all transactions
- ✓ Reconcile bank accounts
- ✓ Review general ledger
- ✓ Verify grant tracking
- ✓ Prepare financial reports
- ✓ Review reports (ED/Treasurer)

## 17. Annual Checklist

- ✓ Prepare budget
- ✓ File Form 990
- ✓ Review financial policies



- ✓ Update chart of accounts
- ✓ Prepare for audit (if applicable)

## 18. Communication Guidelines

- Financial questions answered within 2 business days
- Monthly reports delivered consistently
- Board receives regular updates

## 19. Red Flags to Watch For

- Missing documentation
- Late bank reconciliations
- Unusual or unexplained expenses
- Declining cash balances

Report concerns immediately.

## 20. Policy Review

- Review SOP annually
- Update as organization grows