

New Opportunities for the Development of Education at the Technical University of Liberec

Specific objective A2: Development in the field of distance learning, online learning and blended learning

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Virtual Mobility: New Challenges for Management Accounting

Ing. Lenka Strýčková, Ph.D.

Students presentations on given topics



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**SPECIFICS OF
MANAGEMENT
ACCOUNTING IN
NON PROFIT
ORGANIZATIONS**

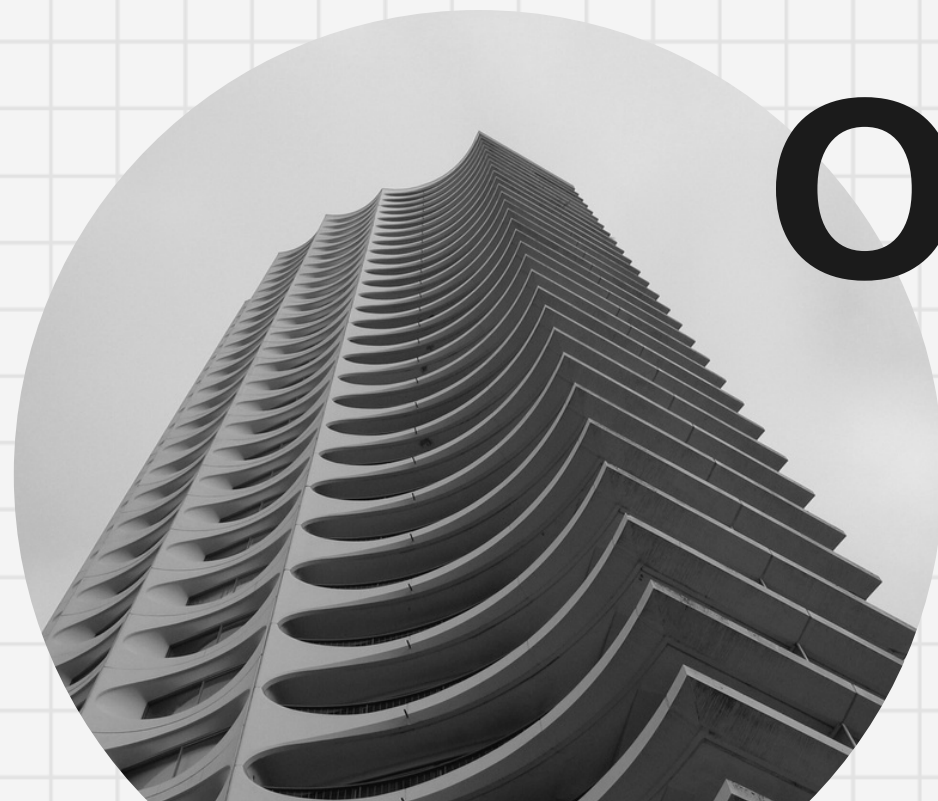


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Nonprofit organization



Legal entity



Dedicated to furthering a particular social cause or advocating for a shared point of view



Main aspects are accountability, trustworthiness, honesty and integrity



Not-for-profit, including some political organisations, schools, business associations, churches, social clubs

Nonprofit organization

Non-business entity, non-profit foundation

subject to the non-distribution restriction

Any income in excess of expenses must be dedicated to the purpose of the organization and not received by individuals.

tax-exempt

Non-profit entities can qualify to receive tax-deductible contributions, but an entity can incorporate as a non-profit entity without securing tax-exempt status.

funding

A nonprofit organization is seeking fund through donations and public trust. The more a nonprofit focuses on its mission, the more public trust it will gain.

Nonprofit accounting



Different from small business accounting.



A financial management, record keeping and reporting system for non-profit groups.



Uses specific language and nomenclature to record funded activities and create reports:



Good nonprofit financial management should ensure that the organization can operate and grow.

Nonprofit organization

Programs

A The services that a non-profit organization provides are called programs.

Each program generally has its own revenues, expenses and records.

Donor restrictions

Some donors limit their contributions to specific causes or programs.

- Restricted funds: must be spent on specific programs
- Temporarily restricted funds: time limit restriction on the spending
- Unrestricted funds: can be spent as it sees fit to meet the organization's mission

Collecting money

Fundraising refers to activities to raise the profile of an organization or attract donations.

Can include direct mail campaigns, email newsletters and charity fundraising events.

Administration

Funds used to run a nonprofit organization are called administrative or overhead expenses.

Necessary to keep the non-profit organization running.

They must be noted on all accounts and reported to donors.

Nonprofit vs. Forprofit accounting



**Balance Sheet vs. Statement of
Financial Position**



Net Assets vs. Equity



**Income Statement vs. Statement
of Activities**



Cash Flow Statement

Best Practices

Nonprofit accountants need to know the elements that make nonprofit accounting unique, such as record keeping and reporting.

Success is not measured by how much money is earned. In contrast, a nonprofit organization is successful when it fulfills its goals and overall mission.



Establishing strict internal protocols



Recruit people with strong morals



Ensuring full independence of the Board of Directors from the organization



Preparation of timely financial statements

Nonprofit organization

Establishing strict internal protocols

Accuracy and transparency in accounting is vital to nonprofits to maintain the trust of donors and other stakeholders.

Clear protocols and internal controls help to prevent mismanagement, errors and fraud.

Simplify the analysis of the financial position of the non-profit organization and detection of any anomalies.

Recruit people with strong morals

Nonprofit organizations are often held to a higher ethical standard than for-profit corporations, and even a single ethical lapse can result in long-term reputational damage

Strong ethical principles are required.

Screening process should go beyond interviews to include thorough background checks for all new hires and interns.

Ensuring full independence of the Board of Directors from the organization

Setting strategic direction and hiring the nonprofit's executive director, the board of directors typically has responsibility for financial and legal oversight.

Ensuring that the organization remains financially stable and manages money in accordance with its mission.

The board remains independent of the organization's management and employees.

Many nonprofits have policies that prevent employees from also being board members.

Preparation of timely financial statements

The organizations must prepare timely and accurate financial statements annually.

Providing a clear picture of the organization's finances, detailed financial reporting demonstrates accountability and helps build trust with the board and other stakeholders.

The information is included in the organization's annual forms filed with the IRS.

The organizations must prepare specialized financial statements to comply with GAAP accounting rules specific to the not-for-profit sector.

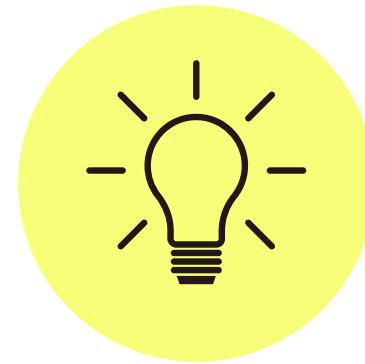
Conclusions



Nonprofits must comply with specific accounting rules, regulations and tax requirements.



Rigorous internal controls can help maintain financial accuracy and transparency.



Nonprofits create a realistic picture of finances and adapt to changing conditions by focusing on budgeting and forecasting.



Must track all cash and in-kind contributions and produce specialized financial statements

Nonprofits must file returns annually to maintain tax-exempt status.



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Thank you for your attention!

