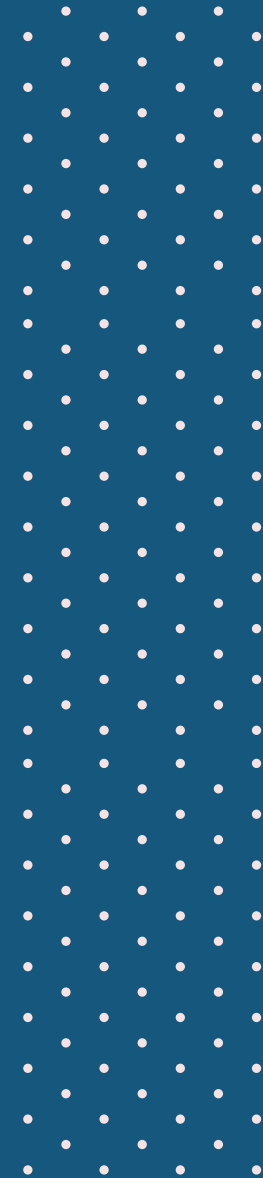


Fund Accounting

A Comprehensive Guide for
Nonprofits and Churches



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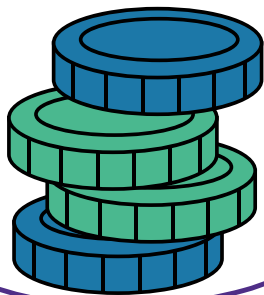


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1. Introduction to Fund Accounting

Fund accounting is a specialized method of bookkeeping and financial reporting that emphasizes accountability over profitability.

Unlike traditional business accounting, **fund accounting allows nonprofits and churches to track multiple funds separately while maintaining proper stewardship of resources.** This approach ensures that organizations can effectively manage their financial responsibilities while honoring donor intentions and meeting regulatory requirements.



2. Why Traditional Accounting Software Falls Short

The QuickBooks Dilemma

Traditional accounting software like QuickBooks was designed for businesses focused on profit and loss. While QuickBooks is a powerful tool for businesses, it presents significant challenges for nonprofits and churches, including:

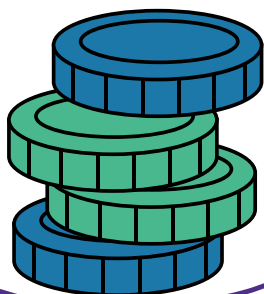
No True Fund Accounting: QuickBooks doesn't offer true fund accounting capabilities, making it difficult to properly track restricted and unrestricted funds separately.

Limited Nonprofit Reporting: Standard business reports don't align with nonprofit reporting requirements, requiring time-consuming manual workarounds.

Complex Workarounds Required: Organizations often need to create elaborate systems of classes and sub-accounts to approximate fund accounting functionality.

Risk of Commingled Funds: Without proper fund separation, there's an increased risk of accidentally mixing restricted and unrestricted funds.

Lack of Nonprofit-Specific Features: QuickBooks is missing crucial features that nonprofits need, like pledge tracking, donor management, and grant tracking.



3. Why Fund Accounting Is Crucial for Financial Success

Critical for Financial Stewardship

Donor Trust: Proper fund accounting demonstrates that donor intentions are being respected and their contributions are used as specified.

Board Oversight: Reports with fund accounting details provide board members with clear visibility into the organization's financial health and fund allocation.

Resource Allocation: Fund accounting enables informed decision-making about resource distribution across programs and initiatives.

Impact on Organizational Growth

Grant Opportunities: Many foundations require detailed fund accounting to qualify for grants.

Strategic Planning: Clear financial data by fund helps organizations make informed decisions about program expansion or reduction.

Donor Relations: The ability to show exactly how funds are used helps build donor confidence and encourage larger gifts.

Risk Mitigation

Prevent Fund Misuse: Separate tracking prevents accidental use of restricted funds for unauthorized purposes.

Regulatory Compliance: True fund accounting helps ensure compliance with FASB standards and other regulatory requirements.

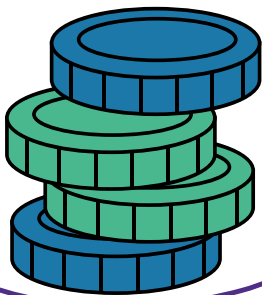
Financial Transparency: Fund accounting reduces the risk of financial mismanagement or appearance of impropriety.

Essential for Legal Compliance

Restricted Fund Management: Donors often specify how their contributions must be used. Fund accounting ensures these restrictions are honored and tracked properly.

Audit Requirements: Many nonprofits must undergo regular audits. Fund accounting provides the necessary documentation and transparency.

Tax Reporting: Accurate fund separation is crucial for completing Form 990 and other required tax documents.



4. The Critical Need for Fund Accounting in Nonprofits and Churches

Regulatory Compliance

Maintain compliance with FASB standards: Ensure your organization meets Financial Accounting Standards Board requirements for nonprofit accounting, providing standardized financial statements that satisfy regulatory requirements.

Track restricted and unrestricted funds separately: Maintain clear boundaries between funds designated for specific purposes and general operating funds, ensuring donor intentions are honored and properly documented.

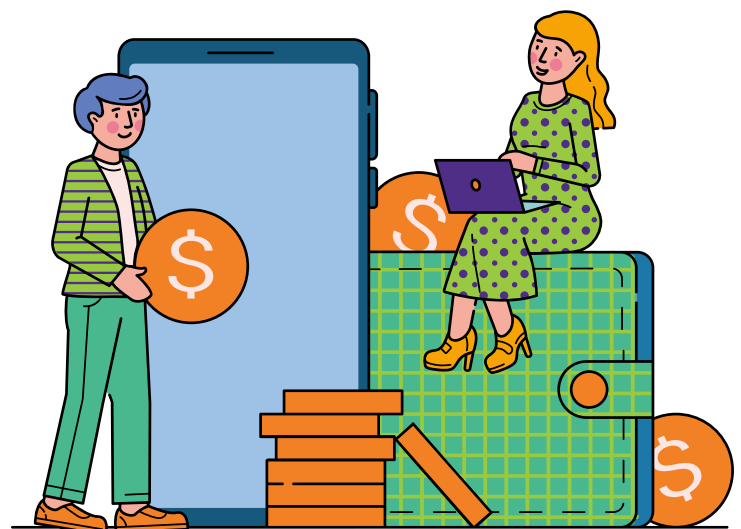
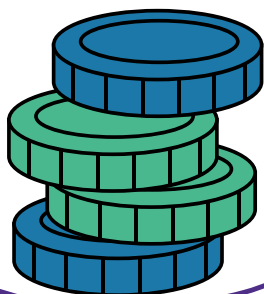
Ensure proper stewardship of donated resources: Demonstrate responsible management of financial resources through accurate tracking and reporting on how each dollar is used.

Financial Transparency

Demonstrate accountability to donors: Provide detailed reports showing exactly how donor contributions are used to build trust and encourage continued support.

Provide clear financial reports to board members: Equip leadership with comprehensive financial insights needed for informed decision-making through easy-to-understand reports.

Maintain trust with stakeholders: Build confidence among supporters by showing transparent financial management and responsible resource allocation.



5. Understanding Aplos Fund Accounting

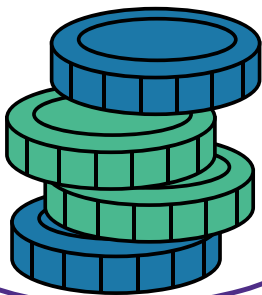
Aplos offers a true fund accounting software solution specifically designed for nonprofits and churches. The system enables organizations to:

Track multiple funds separately: Maintain distinct accounting records for different programs, projects, or departments while still seeing the complete financial picture.

Generate fund-specific reports: Create detailed financial statements for individual funds or programs, showing exactly how resources are being used.

Manage restricted and unrestricted donations: Keep clear records of donations with specific designations versus general operating funds.

Monitor program expenses: Track costs associated with specific programs or initiatives to evaluate their financial performance.



6. Key Benefits and Features with Aplos

Aplos Advanced Accounting offers specialized fund accounting features specifically designed for nonprofit and church needs, including automatic fund tracking, customizable reporting for Form 990, and built-in donation management.

Aplos' cloud-based platform seamlessly integrates budgeting, expense tracking, and giving management while maintaining FASB compliance, making it a comprehensive solution for faith-based and nonprofit organizations.

Core Financial Features

True fund accounting: Maintain separate balanced books for each fund while seeing combined financial statements.

Bank reconciliation: Easily match your accounting records with bank statements to ensure accuracy.

Budget tracking: Monitor actual income and expenses against planned budgets in real-time.

Financial reports: Generate professional reports that meet nonprofit accounting standards.

Balance Sheet by Fund: View assets, liabilities, and net assets for each individual fund.

Income Statement by Fund: Track revenue and expenses specific to each fund or program.

Advanced Capabilities

Contribution tracking: Record and manage all types of donations, including cash, check, and online gifts.

Bank integration: Connect directly with your bank accounts for automated transaction importing.

Custom user permissions: Control who can access different areas of your financial data.

Automatic journal entries: Save time with recurring transactions and automated posting.

Financial dashboards: Get a quick overview of your organization's financial health.

Fund tracking: Monitor multiple funds with separate balanced books.

Customizable chart of accounts: Structure your accounting system to match your organization's needs.

Aplos Nonprofit-Specific Features

Grant tracking: Monitor grant funds, expenses, and reporting requirements in one place.

Program tracking: Measure the financial performance of individual programs and initiatives.

Donation management: Efficiently process and track all types of contributions.

Expense allocation: Accurately distribute shared costs across multiple programs or funds.

Budget vs. actual reporting: Compare actual financial results with planned budgets.

FASB compliance: Generate financial statements that meet current accounting standards.

Aplos Church-Specific Features

Track designated giving: Record and manage donations designated for specific purposes or ministries.

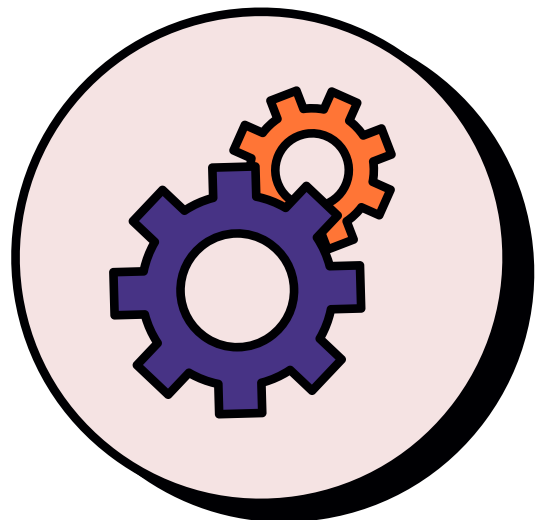
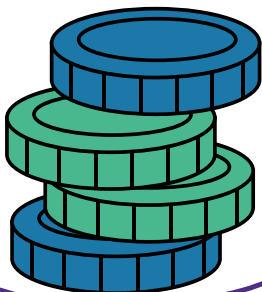
Manage multiple funds: Keep separate balanced books for general fund, building fund, missions, and more.

Process contributions: Handle various types of donations and generate accurate giving statements.

Generate giving statements: Provide donors with detailed records of their contributions for tax purposes.

Track pledges: Monitor commitment fulfillment for capital campaigns or annual pledges.

Manage special offerings: Track and report on special collections or seasonal giving campaigns.



7. Implementation Guide

Implementing Aplos Advanced Accounting streamlines complex financial processes through automated fund tracking and built-in compliance features, saving organizations significant time and reducing costly errors.

Aplos' comprehensive donation management and customizable reporting tools enable the best financial transparency and decision-making, while the cloud-based platform ensures secure access for multiple users and locations.

Ready to see what your nonprofit or church may be missing?

[Start a 15-day free trial and dive into fund accounting today.](#) 

Getting Started With Aplos

1. Initial Setup

Chart of accounts configuration: Customize your account structure to match your organization's needs and reporting requirements.

Fund structure setup: Establish separate funds for different purposes.

User access settings: Define who can view and modify financial information with role-based permissions.

2. Data Migration

Import existing financial data: Seamlessly transfer your historical financial information into Aplos.

Set up opening balances: Ensure accurate starting points for all accounts and funds.

Configure recurring transactions: Automate regular financial entries for efficiency.

3. Training and Support

Access to learning resources: Utilize comprehensive guides and tutorials for optimal system use.

Customer support availability: Get help when you need it through multiple support channels.

Training options: Choose from various training formats to get your team up to speed.

8. Use Cases For Your Organization

Nonprofits

Track grant expenditures: Monitor spending against grant requirements and generate required reports.

Manage program budgets: Track income and expenses for each program or initiative.

Monitor restricted donations: Ensure restricted funds are used according to donor specifications.

Report to board members: Generate clear, comprehensive financial reports for leadership review.

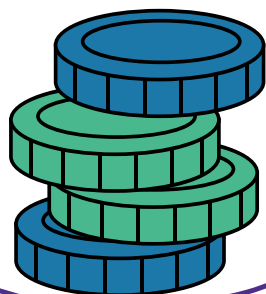
Churches

Track multiple ministry funds: Keep separate balanced books for each ministry while maintaining an overall church financial picture.

Manage building campaigns: Track pledges, contributions, and expenses for facility projects.

Monitor missions funding: Track and report on missionary support and missions projects.

Generate member giving statements: Provide accurate contribution records for tax purposes.



9. The Cost of Inadequate Fund Accounting

Financial Risks

Lost Funding Opportunities: Organizations without proper fund accounting may be disqualified from grants and major gifts.

Audit Issues: Poor fund tracking can lead to costly audit findings and remediation requirements.

Legal Exposure: Misuse of restricted funds, even accidentally, can lead to legal complications.

Operational Inefficiencies

Time Waste: Using manual tracking systems and creating workarounds mean staff regularly spends excessive time on tasks.

Reporting Delays: Difficulty in generating timely reports for board meetings and donor requirements creates frustration for everyone involved.

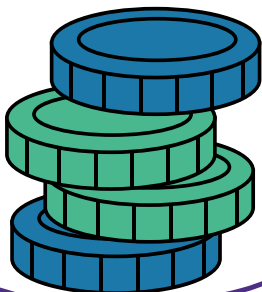
Decision-Making Challenges: Lack of clear financial data by fund hampers strategic planning.

Growth Limitations

Donor Confidence: Without clear fund tracking, donors may hesitate to make larger gifts.

Program Expansion: Difficulty in evaluating program financial performance can limit growth.

Resource Allocation: Leadership will face challenges in understanding the true costs and returns of different initiatives.



Key Takeaways

1. Accountability Benefits

Track restricted and unrestricted funds: Maintain clear separation between different types of donations and their uses.

Monitor program expenses: Keep detailed records of costs associated with each program or initiative.

Generate accurate reports: Create professional financial statements that meet regulatory requirements.

2. Operational Efficiency

Streamline bookkeeping: Reduce manual data entry and automate routine tasks.

Automate recurring tasks: Save time by setting up automated entries for regular transactions.

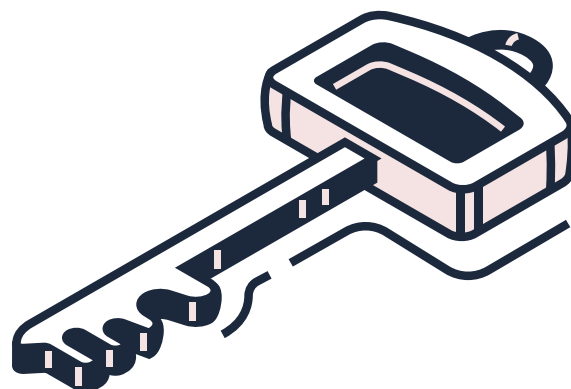
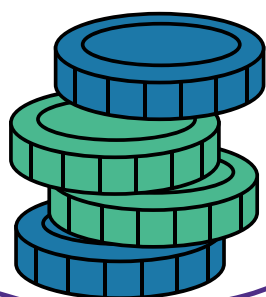
Simplify reporting: Generate required reports quickly and accurately.

3. Compliance Advantages

Meet FASB requirements: Ensure that financial statements comply with current accounting standards.

Maintain proper fund separation: Keep clear boundaries between different funds and their purposes.

Generate required reports: Produce necessary documentation for audits and regulatory compliance.





Conclusion



Fund accounting with Aplos provides Nonprofits and Churches with the tools needed for:

- **Financial transparency:** Build trust with donors through clear, accurate financial reporting.
- **Regulatory compliance:** Meet all accounting standards and requirements.
- **Efficient operations:** Streamline financial management tasks and save time.
- **Accurate reporting:** Generate professional reports for all stakeholders.
- **Proper stewardship:** Demonstrate responsible management of resources.

Aplos' specialized features and focus on nonprofit and church needs make it an essential tool for financial accounting success.

By choosing a true fund accounting solution like Aplos, organizations can avoid the limitations and risks associated with traditional accounting software while ensuring they have the proper tools for financial success and growth.

✦ **Ready to get started?**

Begin your 15-day free trial of Aplos today. 

**Looking for a more advanced solution?
Aplos has you covered.**



✦ **Explore Advanced Accounting here.** 

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