



3 ways to improve development and accounting collaboration

Communication breakdowns between a not-for-profit's development and accounting departments can lead to confusion, embarrassment and even financial problems. Here are three ways your organization can facilitate cooperation between these two critical functions.

1. Recognize differences

Accounting and development typically record their financial information differently, which is why they can produce numbers that vary but nonetheless are both correct. Development may use a *cash basis* of accounting, while accounting records contributions, grants, donations and pledges in accordance with Generally Accepted Accounting Principles (GAAP).

Let's say a donor makes a payment in March 2018 on a pledge made in December 2017. The development department will enter the amount of the payment as a receipt in its donor database in March. But accounting will record the payment against the pledge receivable that was recorded as revenue when the pledge was made in December. Receipt of the check won't result in any new revenue in March because the accounting department recorded the revenue in December. Both departments' figures for March 2018 (and for December 2017) will be accurate, but they'll disagree with each other.

2. Establish policies and procedures

Your nonprofit should try to reconcile its accounting and development schedules at least monthly. It also needs clear protocols for communicating important activity — or both departments, and your organization, could experience negative consequences.

If, for example, development fails to inform accounting about grants on a timely basis, the latter won't be aware of the grants' financial reporting requirements and could forfeit funds for noncompliance. If the accounting department doesn't record grants or pledges in the proper financial period according to GAAP, your organization could run into significant issues during an audit — which could jeopardize funding.

3. Require regular communication

Schedule meetings so that accounting representatives can educate development staff about the information it needs, when it needs it and the consequences of not receiving that information. For its part, development should provide accounting with ample notice about prospective activity such as pending grant applications and proposed capital campaigns.

Development should also present status reports on different types of giving — including gifts, grants and pledges. This is especially important for those items received in multiple payments, because accounting may need to discount them when recording them on the financial statements.

Two-way road

The activities of your accounting and development departments directly affect each other, so careful coordination is essential. Contact us for more information.

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