

Top 5 Bookkeeping Questions Nonprofit Boards Ask (And How to Answer Them)

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If you're leading a nonprofit, you already know this: your work is about changing lives, helping people, and making your community stronger. But here's something every nonprofit leader learns pretty quickly—if you don't have your money straight, things can fall apart fast.

That's why bookkeeping matters. It's not just about writing down numbers or balancing a checkbook. It's about trust. Donors trust you to use their money the right way. The community trusts you to keep your programs running. And your board trusts you to give them clear answers when they ask about money.

Here's the problem: many board members feel lost when they look at financial reports. They might not say it out loud, but inside they're thinking:

- Are we really keeping track of donations the right way?
- What happens if we spend restricted money by mistake?
- Are we going to get in trouble with a grant report?
- Can we explain our spending without looking sloppy?

How do we prove we're being honest with the money?

When your board doesn't have clear answers, confidence drops. And when confidence drops, fundraising slows down, trust wobbles, and your mission takes a hit.

Why Good Bookkeeping Matters

Let's be honest: nobody starts a nonprofit because they love bookkeeping. You started because you wanted to solve a problem, feed the hungry, build stronger families, or serve your community. But here's the truth: if the books are messy, your mission will struggle.

Good bookkeeping does four big things for you:

- It keeps you honest. Donors can see where the money goes.
- It keeps you safe. You stay in compliance with the IRS and state laws.
- It gives you power. You can make smart decisions with real numbers, not guesses.
- It keeps you moving. Clean books make it easier to get grants, loans, and file your 990 tax return without panic.

Bad bookkeeping, on the other hand, creates fear. You start dreading board meetings. You avoid applying for grants because you're not sure the numbers are right. And you stay stuck instead of growing.

That's why your board asks these five key questions. They're not trying to give you a hard time. They just want to know the money is handled well so the mission stays strong.

Question 1: How Do We Keep Track of Donations?

Every nonprofit lives on donations. That's your lifeblood. So when a board member asks, "Are we keeping track of donations the right way?" what they're really asking is: *Can we prove we're trustworthy?*

Here's The Potential Problem They See

If you don't track donations carefully, problems creep in:

- Donors don't get thank-you letters.
- Totals don't match the bank account.
- You can't tell which campaigns are working.
- The IRS could question your records.

Here's Your Game Plan

 Use the right tools. QuickBooks, DonorPerfect, or other donor systems can track every gift.

- Reconcile monthly. Make sure your donor records match your bank account.
- **Send thank-you's fast.** Donors want to know you received their gift. If your organization is a church, send out year end contribution statements.
- **Show clear reports.** Give the board simple charts of donations by month, campaign, or year.

How to Answer the Board

"Yes, every donation is tracked in our system. We reconcile with the bank every month. Donors get thank-you letters, and here's a report showing year-to-date giving compared to last year."

Question 2: What About Restricted Money?

This question usually sounds like: "Are we keeping restricted funds separate?" Restricted money is money a donor gives for a specific purpose—like scholarships, a food pantry, or a new program.

Here's The Potential Problem They See

If you mix restricted and unrestricted money, things get messy fast. You could:

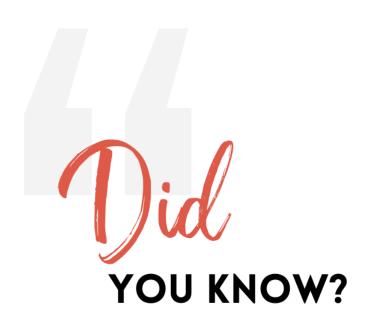
- Spend money on the wrong thing.
- · Break a donor's trust.
- Risk legal trouble.

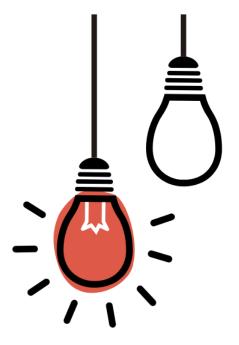
Here's Your Game Plan

- **Separate accounts.** In your chart of accounts, track restricted funds apart from general funds.
- Track every dollar. Record when restricted money comes in, how it's spent, and what's left.
- Report back. Update donors on how their money was used.
- Write policies. Have clear rules on how restricted gifts are handled.

How to Answer the Board

"Yes, restricted gifts are tracked separately. For example, the scholarship fund has its own account. Here's a report showing how much came in, how much was spent, and the balance left."





1 IN 3 NONPROFITS STRUGGLE

to track donor-restricted funds correctly putting trust, donations, grant funding and compliance at risk.

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Question 3: How Do We Handle Grants and Government Funding?

Grants are exciting because they bring in big money. But they also bring rules.

Here's The Potential Problem They See

Many nonprofits get into trouble here. Maybe you don't file a report on time. Maybe you pay for something that wasn't allowed. Maybe you can't find the receipts. And once you lose a grant-maker's trust, it's hard to win it back.

Here's Your Game Plan

• Create grant budgets. Track income and expenses for each grant separately.

- Save all receipts. Keep invoices, timesheets, and records in one place.
- Stay ready for audits. Assume every grant will be checked.
- Track deadlines. Put due dates on a calendar and review them often.

How to Answer the Board

"We set up a budget for each grant and track every expense. All receipts and records are saved. Reports are submitted on time, and we're audit-ready if the funder asks."

Question 4: How Do We Handle Spending and Reimbursements?

Board members also want to know: *Is the money going out as carefully managed as the money coming in?*

Here's The Potential Problem They See

Without clear rules, nonprofits can:

- Overspend.
- Pay the same bill twice.
- Reimburse expenses without receipts.
- Use money for things that don't fit the mission.

Here's Your Game Plan

- Write it down. Create policies for how expenses are approved and reimbursed.
- Use tech tools. Apps like Expensify or QuickBooks make tracking easier.
- **Set approval rules.** Require pre-approval for large expenses.
- Train the team. Make sure everyone knows how to handle money properly.

How to Answer the Board

"All expenses need receipts and are coded correctly. Reimbursements are paid within two weeks with documentation. Big expenses need approval, and we review spending against the budget every month."

Question 5: How Do We Stay Transparent?

Finally, boards ask: How do we show we're being open and honest with the money?

Here's The Potential Problem They See

When reports are confusing—or when board members feel like they're only getting half the picture—trust slips. And once trust is gone, donations dry up.

Here's Your Game Plan

- **Provide reports often.** Share balance sheets, income statements, and budget vs. actuals monthly or quarterly.
- **Use plain language.** Keep reports simple. Explain accounting terms in everyday words.
- Bring in an auditor. An independent review adds credibility.
- Encourage questions. Make board meetings a safe space for money conversations.

How to Answer the Board

"We share monthly financials with the finance committee. An independent CPA does an annual review. Reports are clear and highlight key trends so everyone can understand."

How to Talk About Money with Your Board

- **Use pictures.** Graphs and charts work better than spreadsheets.
- Compare to the budget. Show where you're on track—or off track.
- Highlight what matters. Don't bury the board in details. Point out the key issues.
- **Teach as you go.** Offer quick explanations to build financial confidence.

When board members understand the numbers, they stop feeling afraid of them. They get more engaged, make better decisions, and feel proud to represent your organization.

Wrapping It Up

The five questions we just walked through—donations, restricted money, grants, spending, and transparency—are the core of nonprofit financial health.

If you can answer them clearly, you:

- Build trust with your board.
- Keep donors confident.
- Open doors for more funding.
- Free your team to focus on the mission.

Messy bookkeeping creates stress, mistakes, and lost opportunities. But clear, clean, and honest bookkeeping gives your nonprofit the foundation it needs to grow strong and serve well.

So the next time a board member asks, "How are we doing with the money?" you'll be ready. You'll give them answers that build confidence, not confusion. And most importantly—you'll show that your nonprofit is not only mission-driven, but also money-smart.

ABOUT US



We empower churches and ministries throughout the country to take charge of their finances. Our job is to "clean house" by helping ministries get their finances organized to prepare for God's increase in their ministry.

With our help, churches know exactly where their finances stand at all times, and keep everything organized so that, when God puts an opportunity in their path, the financials are ready and senior management can move forward with their plans.

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"In my 15 years of ministry, I have never met someone as qualified to handle our church finances as Belinda Whitfield... I cannot recommend her enough. If you're considering using their services, I say do it and you will not regret it. In fact, you will be thankful that you did."

> Joe Wyrostek Metro Praise International Chicago IL

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