



Welcome to Keiter's Not-for-Profit Update

January 13, 2026

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Agenda

8:30 A.M. – 9:00 A.M.

Registration & Breakfast

9:00 A.M. – 10:00 A.M.

Not-for-Profit Update (1.0 CPE)

- Recommended Accounting Team Structure
- Monthly Financial Closing Best Practices
- Special Events – Tax Caveats
- Endowment Overview



Speakers



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The Nonprofit Accounting Function: Structuring & Skill Sets



Importance of Structure & Skill Sets

- › Donor expectations for transparency and accountability
- › Compliance risk
- › Complexities including multiple programs, grants and funds with donor restrictions
- › Maintenance of stakeholder trust

Challenges:

- › Limited resources
- › Need for strong internal controls
- › Multiple reporting requirements



Roles for a Mid-Size Nonprofit (Budget \$5M-\$25M)

CORE ROLES

- › Controller/Finance Director
- › Staff Accountant
- › Accounts Payable/Receivable Specialist

OTHER ROLES TO CONSIDER

- › Grant Accountant
- › Payroll Specialist
- › Financial Analyst



Role Responsibilities & Skill Set

Core Roles

CONTROLLER/FINANCE DIRECTOR

- › Responsibilities: Financial close, audit readiness, owner of internal controls, adherence to policies and procedures

STAFF ACCOUNTANT

- › Responsibilities: Daily transactions and reconciliations

ACCOUNTS PAYABLE / RECEIVABLE SPECIALIST

- › Responsibilities: Manage vendor and donor transaction



Role Responsibilities & Skill Set

Other Roles

GRANT ACCOUNTANT

- › Responsibilities: Tracks net assets with donor restrictions and in charge of ensuring compliance with grants

PAYROLL SPECIALIST

- › Responsibilities: Ensures accurate accounting for payroll and benefits and the related tax filings

FINANCIAL ANALYST

- › Responsibilities: Forecasting and dashboards to measure progress towards goals



Skill Sets Needed

TECHNICAL

- › Generally Accepted Accounting Principles for non-profit organizations
- › Fund accounting
- › Grant compliance and reporting
- › Proficiency in accounting software

ANALYTICAL

- › Budgeting and forecasting
- › Financial analysis for program impact



Skill Sets Needed

SOFT SKILLS

- › Communication
- › Ethical judgement and integrity

CERTIFICATIONS

- › Certified Public Accountant
- › Other non-profit financial management certifications



Common Pitfalls of Accounting Department Structure

- › Over-reliance on one person for all financial tasks
- › Lack of document processes
- › Ignoring donor restrictions or grant compliance
- › Delayed reconciliations and reporting



Segregation of Duties

Ideally, one individual should not have more than one of the following duties:

- › **Authorization** of transactions
- › **Custody** (physical or logical) of assets
- › **Recording** of transactions in the system
- › **Reconciliation/Control Activities**



Monthly Financial Closing

Best Practices



Financial Closing Best Practices

1. Establish a standard close calendar and cut off dates and maintain the schedule each month
2. Utilize month end close checklists that detail steps, reconciliations, journal entries that need to be performed monthly and who is responsible for performing and reviewing
 - › Ensure those performing and reviewing know what the preparation and reviewing entails (Document process!)



Financial Closing Best Practices

3. Perform account reconciliations and prioritize based on risk, materiality, prior adjustment history, and volume of transactions
 - › Receivables, payables, other accruals
 - › Reconcile pledge and contribution schedules between development and accounting
 - › Review restricted net asset tracking at least quarterly to determine if additions and releases are consistently being tracked and necessary information related to releases has been obtained from program staff



Financial Closing Best Practices

4. Ensure grants and contributions are being recognized properly
 - › Unconditional vs. conditional
 - › Restricted vs. unrestricted
 - › Reimbursable grant revenue based on allowable costs incurred
 - › Ensure reporting required under grants has occurred timely and any reimbursement requests reconcile to accounting records



Financial Closing Best Practices

5. Ensure review is performed of key reconciliations/reports including:
 - › Expense allocations (compare to documented methods)
 - › Budget to actual reports (establish threshold for which variances will be reviewed)
 - › Statements of financial position and activities
 - › Restricted contributions/net assets schedule
 - › Grant specific financial reports
 - › User access to accounting and other systems



Other Considerations

- › Improve close process when possible – identify recurring errors, pain points, bottlenecks and document processes
- › Work towards **segregation of duties**- Ideally, one individual should not have more than one of the following duties:
 - › Authorization of transactions
 - › Custody (physical or logical) of assets
 - › Recording of transactions in the system.
 - › Reconciliation/Control Activities
 - › If segregation of duties cannot be achieved, review process becomes more imperative



Key Points of Schedule G – Fundraising and Gaming Activities



What is the purpose of Schedule G?

- › Reports supplemental details on:
 - › Professional fundraising services
 - › Fundraising Activities (Special Events)
 - › Gaming Operations
- › Ensures IRS compliance and transparency



Schedule G, Part I

SCHEDULE G (Form 990)

(Rev. December 2024)
Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19; or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

Attach to Form 990 or Form 990-EZ.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-00

Open to Public
Inspection

Name of the organization

Employer identification number

Part I Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a <input type="checkbox"/> Mail solicitations	e <input type="checkbox"/> Solicitation of nongovernment grants
b <input type="checkbox"/> Internet and email solicitations	f <input type="checkbox"/> Solicitation of government grants
c <input type="checkbox"/> Phone solicitations	g <input type="checkbox"/> Special fundraising events
d <input type="checkbox"/> In-person solicitations	

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? Yes

2b If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?	(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid (or retained by) organization
1		Yes	No		
2					
3					
4					
5					
6					



Part I – Fundraising Activities

- › Applies only if the organization reported more than \$15,000 in expenses for professional fundraising services
- › Requires the disclosure of...
 - › Methods used by the fundraiser
 - › Identity of paid fundraisers
 - › Whether agreements are written or oral
 - › Whether the fundraiser had custody of the funds
 - › Gross receipts tied to the campaign
 - › Amounts the fundraiser kept or the organization paid



Part I – Fundraising Activities (cont'd)

- › Key points:
 - › Due diligence – recommend written contracts or agreements with fundraisers to specifically address the disclosures of Part I
 - › List top 10 fundraisers
 - › List all of the states the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.



Schedule G, Part II & III

Schedule G (Form 990) (Rev. 12-2024)

Page 1

Part II **Fundraising Events.** Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

Revenue	(a) Event #1 (event type)	(b) Event #2 (event type)	(c) Other events (total number)	(d) Total events (add col. (a) through col. (c))
1 Gross receipts				
2 Less: Contributions				
3 Gross income (line 1 minus line 2)				
4 Cash prizes				
5 Noncash prizes				
6 Rent/facility costs				
7 Food and beverages				
8 Entertainment				
9 Other direct expenses				
10 Direct expense summary. Add lines 4 through 9 in column (d)				
11 Net income summary. Subtract line 10 from line 3, column (d)				

Part III **Gaming.** Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Revenue	(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
1 Gross revenue				
2 Cash prizes				



Part II – Fundraising Events

- › Applies only if the organization reported more than \$15,000 of gross receipts from fundraising events
- › Definition of fundraising event:
 - › Unrelated to the organization's exempt purpose
 - › Excluded from taxable unrelated business income (UBIT) because..
 - › It is not regularly carried on
 - › Conducted primarily by volunteers
 - › Not carried on to make a profit
- › Requires the disclosure of the two largest grossing events individually and an aggregate of the remaining events.



Part II – Fundraising Events (cont'd)

- › Key points:
 - › Line 1 must report gross revenue
 - › Line 2 removes any contributions (part that exceeds the fair value of the benefits of attending the special event) or qualified sponsorships received as part of the event revenue:
 - › Qualified sponsorships – the donor receives no substantial benefit other than the use or acknowledgement of the business name or logo
 - › Contributions and qualified sponsorships associated with the special event are included in the calculation for public support (Schedule A)



Part III - Gaming

- › Applies only if the organization reported more than \$15,000 of gross income from gaming activities.
- › Required Disclosures:
 - Report gross receipts, direct expenses and net income
 - Disclose compliance with state/local gaming laws
 - Provide details on contracts with third-party gaming operators
 - Identify gaming manager and compensation details
 - Indicate whether gaming is conducted with nonmembers and the percentage of activity at the organizational vs outside facilities.



Part III – Gaming (con't)

› Key Points:

- Gaming income may trigger Unrelated Business Income Tax unless exceptions apply:
 - Volunteer labor exception - substantially all work is done by unpaid volunteers
 - Qualified public entertainment activity – conducted at fairs or expositions
 - Traditional bingo exception



Part III – Gaming (con't)

› Key Points (con't)

- All gaming winnings are taxable and may require additional reporting to the IRS...
 - Form W-2G is issued for certain thresholds
 - › \$600 or more in winnings or more than 300 times the wager
 - › \$1,200 or more for slot machines winnings (will increase to \$2,000 in 2026)
 - › \$1,500 or more in keno winnings
 - › \$5,000 or more in poker tournament winnings



Part III – Gaming (con't)

› Key Points (con't)

- Withhold – the organization is required to withhold 24% of winnings that exceed \$5,000. This is an esimated payment remitted to the IRS on the taxpayer's behalf
 - May cause issues with noncash winnings such as cars...
 - › The winner must pay the organization 25% of the fair market value of the prize minus the amount of the wager. The organization then remits this payment as withholding to the IRS
 - › The organization pays the taxes required as part of the winings but it must pay tax not only on the fair market value of the prize less the wager but also on the taxes it pays on behalf of the winner.



Schedule G Checklist

Schedule G (Form 990) Compliance Checklist

Threshold Verification

- Confirm if organization exceeded \$15,000 in professional fundraising services.
- Confirm if organization exceeded \$15,000 in fundraising event gross income.
- Confirm if organization exceeded \$15,000 in gaming gross income.

Documentation Review

- Ensure written agreements with professional fundraisers are available.
- Verify disclosures about methods used by fundraisers.
- Verify identity and compensation of paid fundraisers.
- Confirm custody of funds arrangements.

Event Reporting Accuracy

- Review event reports for gross receipts, direct expenses, and net income.
- Ensure two largest events (> \$5,000) are itemized and others aggregated.

Compliance

- Check state gaming law compliance and solicitation registrations.
- Confirm Schedule G figures reconcile with Form 990 core return.

IRS Requirements by Part

- Part I – List paid fundraisers, custody of contributions, and states registered.
- Part II – Itemize two largest fundraising events and aggregate others.
- Part III – Report gaming income, expenses, and confirm withholding compliance.



Endowments - What, When, and Why it Matters



What is an Endowment?

- › Pool of donor-restricted assets that is invested to support mission over the long term
- › Types of endowments:
 - › True (donor-restricted) endowment
 - › Board designated endowment (quasi-endowment)
 - › Term endowment
- › Why endowments matter



Spending from Endowments

- › Governed by UPMIFA
- › Typically follows spending policy
- › Must balance:
 - › Current program support
 - › Inflation protection
 - › Preservation of purchasing power
- › Underwater endowments



Oversight and Responsibilities

- › Board oversight
 - › Spending policy
 - › Investment policy
 - › Compliance with donor intent
- › Management responsibility
 - › Accurate reporting
 - › Monitoring performance
 - › Clear donor communication



Endowment Risk



Likelihood

CRITICAL RISKS

- Donor restriction violations
- Weak or missing spending policy
- Incorrect net asset classification
- Poor documentation of board decisions

STRATEGIC RISKS

- Spending from underwater endowments without policy/support
- Overreliance on endowment for operating liquidity
- Inadequate investment oversight

SIGNIFICANT RISKS

- Manual or off-system endowment tracking
- Limited coordination between development & finance

MANAGEABLE RISKS

- Failure to account for inflation
- Concentrated or legacy investments
- Hidden or poorly understood investment fees

Impact



Thank You! Questions?



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