Why a Nonprofit Organization needs Bookkeeping/Accounting?

August 11, 2021

**Because you will need to file a**Form 990 or 990EZ and it needs to balance just like a balance sheet and income statement for a business or corporation.

Therefore, if your only asset is cash, the simple formula is as follows: beginning cash balance, PLUS total revenue received for the year, MINUS total expenses paid during the year must EQUAL the ending cash balance. If it does not, then *something* is missing.

If you have assets and liabilities other than just cash, then your debits need to equal your credits to get the tax return to balance.

If you do not understand what this means, or you do not know what an ASSET or BANK balance is, then you need to hire an accountant and/ or bookkeeper who does understand this to prepare your financial statements before you can file a tax return. You will never be able to just GUESS at the amounts and get it to balance. It just doesn’t work that way.

Unfortunately, there are unlicensed people out there that will put ANY numbers on a tax form and file it for you, *for a fee*.  This is illegal but somehow these people get PTIN numbers allowing them to do this.  These people are subject to fines and penalties if they get caught but they do not have to worry about losing their license because they NEVER HAD ONE to begin with!  Most of them have never even read the instructions for the tax forms they are preparing and they probably do not even know about the fines they are subject to!

Filing a bogus tax return to avoid doing your accounting/ bookkeeping is NOT in your best interest!! It is not a good idea to send false information that is *obvi*ously *incorrect* and *does not make any sense* *at all* to the IRS!!  That is like ASKING for an audit.  If that happens you will get the accounting service for FREE from IRS but you will not like it!

Also, if you are showing this *bogus/ incorrect tax* return to potential donors or lenders this does not say much about your organization that you are trying to promote!  Don't make stupid choices, the person you show this tax return to might know that your organization has no financial records or organization.  This is no way to impress them!  Do yourself a favor and hire a professional, licensed tax accountant.