

NONPROFIT FINANCIAL BEST PRACTICES

TIPS FOR PROCESSING CHECKS/CASH

DEVELOPING FINANCIAL POLICIES AND ESTABLISHING STRATEGIES TO MANAGE FINANCES ARE KEY TO BUILDING STRONG ORGANIZATIONS.

Best Practices

- Develop financial policies and procedures. Review these each year.
- **Two** people should be involved in handling all financial transactions. That means the person writing checks should **not** sign checks.
- Do not use a personal checking account. Open an organizational account with your Employee Identification Number (EIN).
- Update cash/check log daily (no later than weekly).
- Try to make deposits daily or at least weekly.
- Limit check signers to management and board.
- Keep all unused checks in locked cabinet or lockbox; access should be available to only key staff members or management (at least two).
- Reconcile bank statements monthly.

SAMPLE POLICY

Authorized check signers for the organization should be approved on an annual basis; checks over \$500 require two signatures.

Processing Checks

Just received a grant? Congratulations! What's next?

Please note: The following information is based on the assumption you have a general ledger/accounting and filing system in place. Check out <http://www.smead.com/hot-topics/filing-system-1396.asp> for tips on establishing a filing system.

- Make sure you review grant guidelines to ensure compliance.
- Copy or scan the check. **NOTE:** If you have checks that cannot be copied or scanned, print a copy of the online check image.



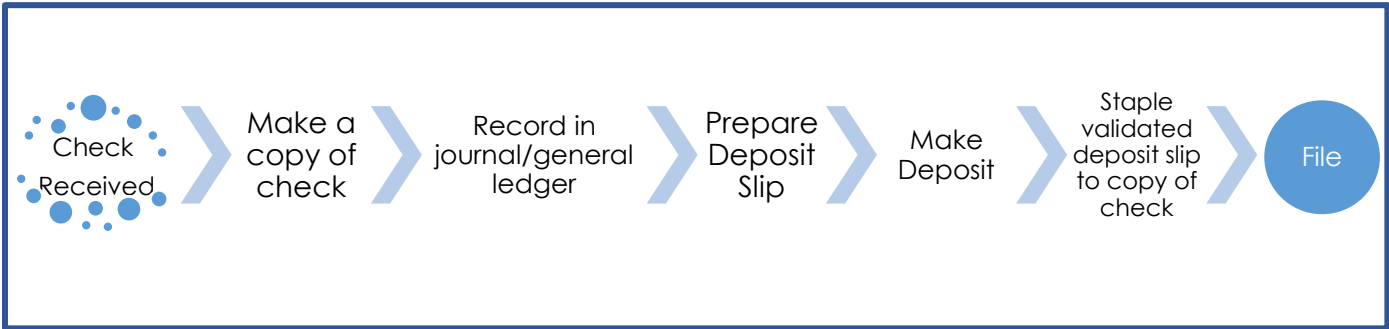
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- File copy of the check (electronic or hard copy) with any correspondence received with the check, such as your award letter and grant agreement.
- Prepare deposit slip. Deposit slips should be numbered sequentially — 100, 101, and 102. **TIP:** *Your organization should have a “For deposit only” stamp. Every check received should be stamped prior to deposit.*
- Make a copy of the completed deposit slip and attach it to a copy of the related check(s).
- Record the deposit in log, journal or **general ledger** with date, time, and check number.
 - **NOTE:** Nonprofits receiving over \$50,000 annually should use accounting software. Check out <http://www.techsoup.org/accounting> for free/low cost accounting software options (such as Microsoft Office Accounting, QuickBooks for Nonprofits); other software options include Peachtree and Alpos.
- Keep check(s)/deposit slip in a lock box or *locked* file cabinet until you’re able to go to the bank.
- Staple bank’s validated copy of the deposit to the check copy and re-file.

FOR DEPOSIT ONLY
ORGANIZATION NAME
Account #

General ledger is a complete record of your financial transactions. Sample templates are available in **Excel**.



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TIPS FOR PROCESSING CHECKS/CASH

PROCESSING CASH FROM SALES & EVENTS

- Write receipts for all cash received/collected.
 - Cash should be received, counted and verified by two people.
 - Purchase a duplicate cash receipt book.
 - If receiving cash contributions from a donor, provide donor envelopes to collect their contact information; donors should receive an acknowledgement and thank-you letter.
- Reconcile by comparing the total cash counted to the total amount per receipts written, and log cash amount into a **cash receipt log** (see attached example).
- Lock cash with deposit slip(s) in a lockbox or locked file cabinet until you're able to go to the bank; cash deposits should be made in a timely manner –by the next day if possible but within one week at most.
- The bank's stamped duplicate deposit slip is attached to the documentation and filed.

Procedure Tip

Organizations should develop procedures that describe how to process and handle cash.

