

Accrual vs. Cash Accounting

- ❑ *Cash* accounting is what most people use in our **personal** lives.
- ❑ In contrast, the *accrual* method allows people to see the big picture of an **organization's** finances and not lose sight of what you owe, what others owe you, and property.

Why is the *Accrual* Method of Accounting Important?

- ❑ Because nonprofits that do not have a unified way of tracking unpaid bills, money others owe them, or other assets, can face cash flow crisis, fall behind on bills, and fail.
- ❑ Because it is the standard set by *Generally Accepted Accounting Principles* (GAAP). These are rules that govern for-profit, nonprofit and governmental accounting in the U.S.
- ❑ Because most funders require it.