

**THE ANNUAL NOT FOR PROFIT ORGANIZATIONS
FINANCIAL MANAGEMENT CONFERENCE**

THEME : FORTIFIED GOVERNANCE FOR EFFECTIVENESS

SUBJECT : ACCOUNTING FOR CONTRIBUTIONS

**Presented By
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**DATE & VENUE:
WEDNESDAY 5TH TO FRIDAY 7TH NOVEMBER 2014
SAROVA WHITESANDS BEACH RESORT AND SPA MOMBASA**

“ACCOUNTING FOR CONTRIBUTIONS”

Contents

ACCOUNTING PERSPECTIVES

- 1. Charitable Donations Regulations (Tax Rules)**
- 2. Standard Accounting Segmentation (Stewardship)**

Kenya Income Tax Exemption Perspective Character of Contributions –

- **“approved project” means a project approved by the Minister;**
- **“cash donation” includes a donation given in form of a cheque; and**
- ❑ **Accounts must segregate and be capable of independent verification.**
- ❑ **Contributors must therefore be accounted for as “Restricted Funds”.**

CHARITABLE CONTRIBUTIONS / DONATIONS

NPOs that Qualify as Charities - Accounting Documents :-

“charitable organizations” a non-profit making organization established in Kenya which –

- a) is of a public character; and**
- b) has been established for purposes of relief of poverty or distress of the public, or for the advancement of education.**

Key Accounting Documents

A receipt issued and certified by the recipient of the donation accompanied by –

- a) a copy of the exemption certificate issued by the Commissioner (KRA) to the charitable organization, or the Minister's approval of the project to which the donation is destined (Restricted).**

Key Accounting Documents Contd.....

b) a declaration from the receiver of the contribution that the money shall be expended solely for the objects of the charity.

Standard Accounting Segmentation of Contributions Received are THREE

1. Restricted Funds

Funds received by an NPO with full understanding are to be used for specific project activity(ies) as agreed with the donor. Cannot be used on any other project (purpose).

Standard Accounting Segmentation of Contributions Received Contd.....

2. Unrestricted Funds

Funds received for use by the NPO in running its activities with some degree of flexibility on where / what to spend on.

Standard Accounting Segmentation of Contributions Received Contd.....

3. General Funds

Funds received by an NPO which are for use in areas / budget lines “where most needed” – very flexible.

NB :

The term **DESIGNATED FUNDS has been incorrectly used by many to mean (1) and (2) but in the context of accounting for contributions and fund accounting → Use the above terms only.**



“ACCOUNTING FOR CONTRIBUTIONS”

Thank You !

Questions / Comments ?

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