Nonprofit Chart of Accounts

How to structure it, and the four decisions that matter more than the account list

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A chart of accounts is not a list of categories. It is the shape of every report you will ever produce. Get the structure right once and your board packet, your audit, and your Form 990 all fall out of it. Get it wrong and you will rebuild the same numbers by hand, every month, forever.

01 The numbering

Range	What lives there
1000–1999	Assets — cash, receivables, prepaid, fixed assets
2000–2999	Liabilities — payables, accruals, deferred revenue, notes
3000–3999	Net assets — the two classes, plus board-designated
4000–4999	Revenue and support
5000–5999	Personnel expenses
6000–6999	Operating expenses
7000–7999	Other

> **Leave the gaps.** The spreadsheet numbers accounts by tens on purpose. Adding 6120 next year is trivial; renumbering a live chart means every historical report changes meaning.

02 Two net asset classes, not three

FASB ASU 2016-14 replaced the old three-class model with two: **net assets without donor restrictions** and **net assets with donor restrictions.** It has been effective for fiscal years beginning after December 15, 2017.

> **If your chart still says "unrestricted," "temporarily restricted," or "permanently restricted,"** it is using terminology retired years ago. Auditors notice, and so do the funders who read a lot of statements.

Board-designated funds are still without donor restriction. Your board setting money aside is a management decision, not a donor restriction — it can be undesignated by the same board next month. Track it as a sub-account under 3000, never under 3200.

03 Restriction is tracked alongside the account, not inside it

The most common structural mistake is creating parallel accounts — "Contributions" and "Restricted Contributions" as separate lines. That doubles your chart and still does not tell you what remains restricted.

Keep one revenue account and track restriction as a separate dimension — classes, funds, or tags depending on your software. Then **account 4900, Net Assets Released from Restriction**, does the work when conditions are met. That release entry is the single most frequently skipped step in small-nonprofit bookkeeping, and skipping it makes restricted balances grow forever.

04 Every expense is a three-way allocation

Form 990 Part IX requires expenses split into program services, management and general, and fundraising. If your chart is not built for that, someone rebuilds it by hand each spring.

Shared cost	Defensible basis
Executive Director salary	Time study, or a documented estimate reviewed annually
Rent and occupancy	Square footage by use
Utilities	Same basis as rent
Insurance, technology	Headcount, or payroll dollars
Depreciation	How the asset is actually used

> **Write the basis down.** The allocation itself is a judgment call, and reasonable people land in different places. What is not defensible is being unable to say how you decided. One memo, reviewed annually, settles the question for auditors and funders alike.

05 Four accounts small organizations usually miss

1100 Undeposited Funds	Must clear to zero at year end. A balance here means deposits were recorded twice or not at all.
2200 Refundable Advances	Conditional grant money you have received but not yet earned. It is a liability, not revenue.
4210 Direct Benefit Costs	The dinner at your gala. It reduces the contribution portion and drives the quid pro quo disclosure required above $75.
4900 Released from Restriction	Without it, restricted net assets never come down and your available cash looks smaller than it is.

06 How to adopt this without breaking the year

Change the chart at the start of a fiscal year if you possibly can — mid-year changes make year-over-year comparison painful. Map old accounts to new ones in writing before you migrate, keep the mapping with your year-end file, and do not delete old accounts that carry history. Make them inactive instead.

Start with fewer accounts than you think you need. A chart with sixty accounts that people use correctly beats one with two hundred that everyone guesses at.

Sources. Net asset classification: FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)* — two classes, effective for fiscal years beginning after December 15, 2017. Functional expense reporting: IRS Form 990, Part IX. Revenue: Part VIII. Balance sheet: Part X. Contract labor reporting: Form 1099-NEC required at $2,000 or more for payments made in 2026 and later ($600 through 2025 payments). Donor substantiation: IRC §170(f)(8) at $250; quid pro quo disclosure IRC §6115 above $75. The Unified Chart of Accounts (UCOA) is published by the National Center for Charitable Statistics and the California Association of Nonprofits. Verified September 2026.