



REBUILDING TOGETHER OF SOUTH LAKE COUNTY, INC GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Financial statements based on Generally Accepted Accounting Principles (GAAP) serves the following purposes:

- producing general purpose financial statements
- provision of information used by management of a business entity for decision making,
- preparing accounting information for people outside the organization or not involved in the day to day running of the company;
- planning and performance evaluation for meeting regulatory requirements

Financial accounting information must be assembled and reported objectively. Third-parties who must rely on such information have a right to be assured that the data are free from bias and inconsistency, whether deliberate or not. For this reason, financial accounting relies on certain standards or guides that are called "Generally Accepted Accounting Principles" (GAAP). Principles also derive from tradition, such as the concept of matching. In any report of financial statements (audit, compilation, review, etc.), the preparer/auditor/[CPA](#) must indicate to the reader whether or not the information contained within the statements complies with GAAP.

- **Principle of regularity:** Regularity can be defined as conformity to enforced rules and laws. This principle is also known as the **Principle of Consistency**.
- **Principle of sincerity:** According to this principle, the accounting unit should reflect in good faith the reality of the company's financial status.
- **Principle of the permanence of methods:** This principle aims at allowing the coherence and comparison of the financial information published by the company.
- **Principle of non-compensation:** One should show the full details of the financial information and not seek to compensate a debt with an asset, revenue with an expense, etc.
- **Principle of prudence:** This principle aims at showing the reality "as is"; one should not try to make things look prettier than they are. Typically, revenue should be recorded only when it is *certain* and a provision should be entered for an expense which is *probable*.

Adopted by RTSLC Board 4-28-14

- **Principle of periodicity:** Each accounting entry should be allocated to a given period, and split accordingly if it covers several periods. If a client pre-pays a subscription (or lease, etc.), the given revenue should be split to the entire time-span and not counted for entirely on the date of the transaction.

The financial records and accounts of Rebuilding Together of South Lake County, INC. (RTSLC) shall be in accordance with guidelines of “Generally Accepted Accounting Practices” (with the exception of accruals) and the National Council for Philanthropy. If required by law, the financial records and accounts of RTSLC shall be audited or reviewed annually by an independent certified public accountant.

Date

Signature