

NACBA-NCC Seminar Year-End Procedures Checklist

1. Consider backing-up your accounting system before beginning to make material year-end JE's – will allow you to recover in case errors are made.
2. Once year-end is formally closed-out:
 - a. Print out all applicable accounting reports and save them in a permanent file. Be able to prove every number on the balance sheet. Printouts should include the budget and variance, outstanding accounts payable and receivable, etc. Bank reconciliations.
 - b. Make no corrections to the prior year numbers. They should stand as is. Revisions should be made to the current year.
 - i. Be careful about backdating cash transactions, entries to payables, or receivables, etc.
 - ii. Be careful about cleaning-up the cash register by changing dates before or after year-end.
 - c. Make a back-up of the final accounting system and label it final.
3. Analytically review all GL account activity for the year and scan for proper account classification, compliance with donor or board restrictions, etc.
4. Cash Accounts - Need to balance. Save the bank statement and the reconciliation.
 - a. Don't "complete" the final bank account reconciliation until after all year-end adjustments have been made. The final bank reconciliation should be printed out, and agree to the cash amount on the balance sheet.
 - b. Clean-up checks that were not cashed.
 - c. Make sure that the cash in one bank does not exceed \$250,000.
 - d. Close out any unused bank accounts.
5. Giving - Need to make sure that operating and capital giving tie to the general ledger. Reconcile contributions from membership trial balance to general ledger. Save the reconciliation.
 - a. Record deposits in transit.
 - b. Record electronic giving channels; cutoff at year-end – Paypal, Vanco.
 - c. Record miscellaneous other revenues, groups, etc.
6. Need to make sure all non-cash gifts have been accounted for. They either need to be turned into cash or recorded as revenue and a receivable or other asset.
 - a. Stock gifts at the end of the year that may take awhile to sell.
 - b. Insurance policy CSV, art work, etc.

Year-End Procedures Checklist, Cont.

7. Account Receivable - Is the A/R correct?
 - a. Account for all the income that was received in the previous year (prepaid pledges).
 - b. This is critical for non-cash gifts and from other significant sources of income (rent).
 - c. Record unrealized gains/losses on investment accounts; interest income on bank accounts; CSV of life insurance. Scrip income.
8. Accounts Payable - Is the A/P correct, account for all the expenses that were incurred the year before.
 - a. Accrued payroll / withholding liability expenses? State, Fed, FICA; payroll fees recorded as expenses.
 - b. Accrued benefit expenses? Matching contrib's.
 - c. Interest expense on debt.
 - d. Accrue / remit sales taxes payable.
 - e. Accrue significant expense invoices for services or invoices received before year-end, but not paid until after year-end.
 - f. Accrue / record credit card expenses; employee expense reimbursements.
 - g. Vacation / PTO accruals for significant amounts that are carried-over and may be paid upon termination.
9. Other balance sheet accounts - need to clean them up. Need to make sure all of the income and expense has hit those accounts.
 - a. Reconcile any other balance sheet accounts to external statements. Include any investment accounts that have balances.
 - b. Any accounts that do not need to be there; need to do the journal entries so that they are not there.
 - c. Analyze restricted/designated accounts. Determine if they are still relevant or need to be dealt with. Close out or "fund" (JE transfer) negative balances in restricted accounts that will not carryover after year-end.
 - d. JE's for internal transfers,
 - i. Internal loans from temporarily restricted accounts to cover operating cash shortfalls (obtain board / congregation approval), "interest" on internal borrowings; interest on restricted accounts.
 - ii. Board designated accounts / transfers; expense allocations.
 - iii. Reserve accounts, scholarships, missions, capital improvements.
 - e. Petty cash to expense and replenish.

Year-End Procedures Checklist, Cont.

- f. Record or adjust any significant prepaid expense accounts (expenses paid in current year that relate to the next year). Or inventories for Scrip program...
- g. Record or adjust any deferred revenue accounts (revenues received in current year, but relate to next year (tuition, registration, pledges, etc.)

10. Payroll.

- a. Reconcile payroll expenses from the general ledger to the 4 quarterly 941 payroll reports.
- b. Distribute the W-2's to all employees by January 31st. Maintain the W-2's and the W-3 transmittal and the state transmittal in permanent records.
- c. Do you need to issue 1099s?
- d. Housing Allowances - are they correct and do you have the paperwork to prove it (board approval at beginning of year).
- e. Adjustments to payroll for disability insurance, both LTD and STD.
- f. Resolve or settle any notices received from the IRS or state notifying the church of any differences or amounts owed.

11. Record JE's to reclassify expenses to the balance sheet (if the church records debt or fixed assets on the balance sheet, etc.):

- a. The principal portion of mortgage and/or debt payments (reconcile ending balances to external statements from lenders). Note that the interest portion of the payment should remain an operating expense.
 - i. Adjust current portion of long-term debt?
- b. Major fixed asset purchases that were included in operating expense accounts – and should be capitalized as a fixed asset account on the balance sheet.
- c. Record depreciation expense on fixed assets; amortize debt issuance costs.
- d. Adjust bookstore inventories, record or adjust purchase expenses. Revenues?
- e. Reclassify net asset / fund balances to actual amounts after closing income/expense entries. Unrestricted, board designated, property, temporarily restricted, permanently restricted.
- f. Benevolence account payments.

12. Record Retention - **From the July 30, 2010 Friday Epistle** - The Evangelical Lutheran Church in America (ELCA) has great pages offering advice on records retention. Check 'em out at <http://www.elca.org> separately for Business Records, and for Programmatic Records.