

# Year-End Accounting Checklist

FOR NONPROFITS

## Financial Close Process

### Statement of Activity Review

- Ensure all donations, grants, and fundraising income are fully recorded and categorized.
- Cross-check earned income sources (e.g., program fees, sales, events) for accuracy.
- Deferred revenue: Ensure any revenue for services not yet provided is deferred to the next year.
- Review significant month-to-month and budget vs actual variances.
- Research significant miscellaneous income and expenses for recategorization.

### Expenses

- Record all operational expenses, including any final invoices or expenses billed in arrears.
- Ensure prepaid expenses (e.g., insurance, rent, subscriptions) are correctly allocated to the appropriate periods.
- Churches should review and update housing allowances for ministers as needed.
- Ensure compliance with W-2s and 1099 reporting requirements for employees and contractors.
- Complete 941 reconciliations for all payroll accounts, ensuring wages, taxes, and benefits are accurately recorded.
- Verify that all expense reimbursements (e.g., for staff or volunteers) are accurately recorded and properly supported with receipts.

## Grants and Restricted Funds Management

### Grant Revenue

- Reconcile all grant income, ensuring amounts received are correctly allocated to restricted and unrestricted funds.
- Verify the accuracy of grant tracking, ensuring that grant agreements are properly reflected in revenue recognition.
- Ensure that funding milestones (if any) are correctly accounted for (i.e., if funds were received in tranches based on milestones met).

### Grant Expenditures

- Review and reconcile grant expenditures to ensure they are within the scope of the grant agreement.
- Prepare or update grant reports for funders, verifying compliance with grantor requirements.
- Document any unspent grant funds, and determine if they need to be returned or submit a request to carry them forward.

## Reconciliation of Accounts

### Accounts Receivable

- Review and reconcile open receivables; follow up on any overdue payments
- Write off uncollectible receivables, if applicable, ensuring the proper journal entries are made.
- Record any pledges receivable that are expected to be collected in the future.

### Bank and Credit Card Reconciliation

- Ensure all bank and credit card statements have been reconciled to the general ledger.
- Investigate any discrepancies between the books and the bank statements, resolving outstanding checks or deposits in transit.  
Reconcile any petty cash funds and record any adjustments needed.

### Investment Accounts

- Reconcile investment accounts to statements, including adjustments for realized and unrealized gains/losses.
- Ensure any interest, dividends, or fees related to investments are properly recorded.

## Fixed Assets and Depreciation

### Fixed Asset and Depreciation Schedule

- Update the fixed asset schedule for any additions or disposals during the year.
- Ensure that all capital expenditures are accurately recorded and categorized.
- Verify that depreciation expense for the year is recorded in line with your organization's depreciation policy.
- Review and adjust accumulated depreciation accounts, ensuring accuracy.
- Assess whether any assets have been impaired and record appropriate write-downs if necessary.

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## Liabilities and Debt

### Accounts Payable (AP)

- Ensure that all vendor invoices are entered and appropriately categorized.
- Reconcile AP aging to ensure accurate reporting of amounts owed.
- Verify the cut-off for AP, ensuring that any invoices for services/products received before year-end are recorded, even if not yet paid.

### Loans and Lines of Credit

- Reconcile all loan balances with lender statements, ensuring that principal and interest payments are correctly applied.
- Confirm that any accrued interest and other liabilities are correctly recorded.
- If applicable, review the covenants of any debt agreements to ensure compliance.

### Accrued Expenses

- Ensure that accrued expenses are recorded as liabilities in the books.
- Verify the accuracy of payroll tax liabilities and confirm that all tax filings are up to date.

## Equity and Net Assets

### Review Net Assets

- Ensure that net assets are categorized as with or without restrictions and update net asset schedule.
- Reconcile prior year-end balances to the current year's beginning balances to ensure continuity.

### Adjustments to Net Assets

- Record any adjustments for prior period corrections or adjustments to net assets.
- Ensure that any board-designated funds or endowments are accurately tracked and reported.

## Compliance and Reporting

### IRS and State Filings

- If required, ensure your audit is scheduled with enough time to file your Form 990 by its due date.
- If you will not be able to file your Form 990 on time, file an extension.
- Review any unrelated business income (UBI) to determine if Form 990-T is required.  
Confirm the preparation and filing of any sales tax or other required local filings.  
Ensure your state charitable registration is filed for all relevant states.

## Audit Preparation

### Supporting Documentation

- Compile and organize all supporting documentation (invoices, receipts, contracts) required for the annual audit based on the PBC.
- Ensure that all financial schedules (e.g., depreciation, investments, payables) are updated and available.

### Internal Control Review

- Review and document any internal control procedures to ensure compliance with best practices.
- If applicable, schedule time with the audit committee to review findings and necessary improvements.

## Other Important Year-End Steps

### Chart of Accounts Updates

- Reassess chart of accounts for a cleaner picture in the new year.

### Backup Files

- Ensure that all financial records (digital and physical) are backed up and stored securely.
- Review your document retention policy to ensure compliance with nonprofit regulations (typically a 7-year requirement).

### Board Activities

- Hold a year-end board meeting to review financials, budget performance, and goals.