

THE ESSENTIAL YEAR-END CLOSING CHECKLIST



Contents

Introduction	3
Year-End Reminders	4
Year-End Transactions	5
Reviewing Accounts	6
Tax Forms	9



INTRODUCTION

As you settle down after all the holiday celebrations, it's time to focus on your organization's accounting. The inevitable can't be put off any longer: W-2s, tax forms, and more all need to get done.

This checklist will help you review your organization's accounting at the end of the year to prepare you for the new year. Remember, accounting software may have processes in place to assist you with some of the year-end accounting items, but many items must be managed outside of your accounting software.

The Aplos Year-End Closing Checklist Sections:

- o Year-End Reminders
- o Year-End Transactions
- o Reviewing Accounts
- o Tax Forms

YEAR-END REMINDERS

As you prepare your year-end tax forms, it often helps to start by sharing a few helpful reminders with your employees and those who have given to your organization. These quick reminders ensure you have up-to-date and complete information so you can let people know to expect returns from you by the January 31 deadline.

- ❑ **Housing Allowances (For Churches):** Churches or faith-based organizations designate housing allowances for ministers or pastors to allow them credit for their residence.
 - Present: If you've been doing this throughout the year, you'll want to make sure the housing allowance is recorded properly in your accounting software.
 - Future (next year): Make sure you know how much the stipend will be and plan how you're going to record it for the upcoming year.
- ❑ **W-4s:** Remind employees to review their W-4s and confirm the information is accurate and up to date. Identify if any employees should be reclassified or if withholding amounts changed during the year.

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		<p>▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.</p>		2022
Step 1: Enter Personal Information	(a) First name and middle initial	Last name		(b) Social security number
	Address			▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying widow(er) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			

Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the estimator at www.irs.gov/W4App, and privacy.

Reminder: Make sure employees' personal information, such as addresses and cell phone numbers, are up to date.

- ❑ **Notice to Contributors:** Remind individuals to wait on filing their taxes until they have received their contribution summary from you, and let them know when they can expect it. This allows people to file taxes with the full value of tax-deductible donations for the prior year. The deadline for providing the contribution summary to donors is January 31.

TIP:

If you send this notice to your supporters in mid-December, make sure to attach a statement of their current donation balance. Research shows individuals are likely to donate more when you've reminded them how much they've given to date.

- ❑ **Christmas Gifts:** Some gifts to ministers, employees, or volunteers may be considered taxable income, so handle these carefully and note them as needed.

YEAR-END TRANSACTIONS

Last year is already long gone, so what can you do now to make sure you're set for the start of the new year? Close out your December bookkeeping. This means making sure all of your expenses, year-end gifts, and income are entered.

DONATIONS

Make sure all the donations you received during the year are entered and recorded in your accounting system for contribution statements. This means anything postmarked by December 31. For example:

- If you received a check in the mail on January 3, but it was postmarked December 31, it qualifies for the closing year.
- If you received a check that was postmarked January 2, but the check is dated December 31, it goes into the next year.
- If someone made an online payment using their credit card, you will deduct based on the date that the payment is processed.
- See Publication 526 for the IRS rules about when to deduct contributions.

Account Number		Account Name	Amount
Income			
4000		APLOS Income	\$4,504.00
4050		Misc. Income	\$-50.00
Total Income			\$4,454.00
Expense			
5000		Interest Expense	\$-1,185.56
5001		Donated Expenses	\$1,541.56
5003		Phone Payments	\$2,085.00
5006		Utilities	\$395.00
6003		Payroll Expense	\$411.11
5002		Food	\$300.00
5055		Software Expense	\$5,200.00
7000		Misc. Expenses	\$5,905.00
5959		Misc. Expenses 2	\$-75.00
Total Expense			\$14,577.11
Net Income (Loss)			\$-10,123.11

Sample Annual Income Statement

EXPENSES

- Reimbursements:** Note any year-end business expenses, making sure they are entered and issued for December.
- Payroll:** Enter all payroll and related taxes, retirement, flex spending, or insurance before your year-end financials are closed.
- Monthly Closing:** Make sure all revenue and expenses received prior to the year-end (which includes everything up to December 31) are entered. Then complete your normal month-end checklist and bank reconciliation for December.

REVIEWING ACCOUNTS

Once all your information is entered, the process for fully closing the year begins. You'll start with a review of your financials as a whole, and then you'll take a look through your overall accounting system to evaluate what worked, what didn't, and what can be better for the next year.

- ❑ **Review Your Accounting:** Scan and review all your accounts for accuracy and make sure they all look healthy. This might be the most important part of the checklist!

Run annual Balance Sheet and Income Statement reports to check them for accuracy and to make sure all accounts are reconciled. Adjust entries as needed, and re-run reports to double-check them. Be sure to print the finalized report for any hard-copy records. These are some areas to verify when looking at your reports:

- Confirm bank account balances by running a bank reconciliation.
- Confirm that your year-end asset balances are correct and reconciled with your bank.
- Confirm fund balances are carried over into the next year.
- If any fund balances need to be adjusted, perform the necessary fund transfers to make sure all balances are correct.
- If any temporarily restricted funds need to be consolidated back into a fund without donor restrictions, be sure to make those transfers as well.
- Confirm all account signatories who sign off on your accounts are still authorized and willing for the next year.



Aplos Support - Aaron
Balance Sheet
as of 12/31/2022

Account Number	Account Name	Amount
Assets		
1001	Checking	\$-12,177.40
1003	Prepaid Pledges	\$260.00
1004	Inventory	\$5,900.50
1010	Savings	\$-8,560.78
1204	WePay	\$0.67
1234	Payroll Clearing Register	\$-7,250.00
1005	Petty Cash	\$11,198.00
1007	DonorBox	\$-130.66
1032	Test Asset	\$40,500.00
1235	Receivables	\$500.00
1101	Computer 1	\$1,500.00
1102	Equipment 1	\$9,000.00
1103	Vehicle 1	\$27,000.00
Total Assets		\$67,740.33
Liabilities		
2002	Mortgage	\$5,000.00
2100	Financial Aid Payable	\$6,000.00
2500	Sales Tax	\$7,924.00
2701	Accounts Payable	\$-1.00
2800	Credit Card	\$1,229.82
2201	State Tax	\$-100.00
Total Liabilities		\$20,052.82
Equity		
3000	General Fund - Fund Balance	\$7,912.44
3003	Scholarships Balance	\$1,487.33
3001	Parenting Classes Balance	\$570.00
3002	Food Bank Balance	\$5,131.01
3007	Missions Fund Balance	\$10,790.85
3009	Building Fund Balance	\$22,406.99
3011	New Fund - Fund Balance	\$-411.11
3012	Summer Project - Fund Balance	\$-250.00
3013	Triage-866 - Fund Balance	\$50.00

Sample Annual Balance Sheet

REVIEWING ACCOUNTS CONT.

- ❑ **Review Internal Controls:** Internal controls are processes that you put in place to verify the accuracy of your accounting and help prevent fraud. This means that reviewing your internal controls for the upcoming year is key to making sure they are still relevant, working, and accurate.

TIP:

Make sure to write down any additional internal controls for the upcoming year that would increase financial accountability so you will be protected.

- ❑ **Prepare Your Budget:** Before you create your budget for the next year, review your chart of accounts and designated funds to determine if the previous structure is still adequate based on your anticipated needs. Most people think they will never need to look at their chart of accounts again once they build it, but your system should grow with your organization.

Recommendation: Take a look back at how you used your chart of accounts last year. Which accounts did you use most? Which accounts were unused? Do you need more clarity in some areas? Are they grouped in the most useful way? What worked or didn't work? With the new analyzed information, you can now move forward and change your chart of accounts for the new year to optimize your organization.



- ❑ **Review Insurance Policies:** Most insurance policies run on either an annual or semi-annual basis. Be sure to review your insurance policies to confirm they are accurate, up to date, and modified if changes are required.

REVIEWING ACCOUNTS CONT

- ❑ **Review Your Accounting Software:** The start of the fiscal year is the perfect time to evaluate how your accounting software is meeting the needs of your organization so you can determine if it's time to upgrade.

Here are some good signs that it is time to look for new options:

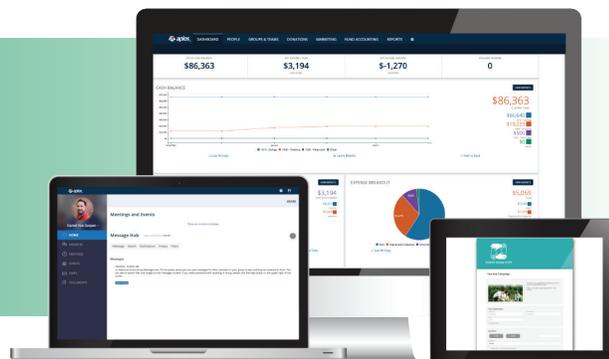
1. Did you struggle to get the financial reports you needed to determine your organization's financial position and evaluate how the funds were used last year?
2. Did you have difficulty accurately tracking how much money was available in each of your designated funds without using manual spreadsheets or multiple bank accounts?
3. Are you spending valuable time manually tracking donations by individuals in a separate spreadsheet because donation tracking isn't integrated into your system?
4. Does your organization manage multiple entities or plan to start a new program in the coming year that will require a separate set of books?

A strong accounting program is vital to demonstrating good stewardship. If you aren't able to pull the reports you need or you have been wishing you had an easier solution, it may be time to explore your options. The beginning of the fiscal year is the absolute best time to test out a few new systems to see if there is a better fit for your organization's needs. Here are a few helpful suggestions when evaluating a new solution:

- Make a list of features you desire and note which ones are essential.
- Review your budget to determine your ideal price range and the amount you do not wish to exceed.
- Research product reviews for nonprofit or church accounting software options.
- Request a free trial of your leading choices. For example, Aplos offers a **15-day free trial** for its accounting software.

Once you have chosen new accounting software, you will need your chart of accounts, starting balances, and all your contacts. Before you toss your old system, be sure to export your historical reports and keep them on file so you can still reference them as needed.

Now you are ready to hit the ground running with a fresh start on your finances!



TAX FORMS

Once you have finished closing the books, prepare the official returns that are needed for your employees, vendors, and donors so they can complete their tax returns. The IRS requires them all to be distributed by January 31, so don't wait until the last minute.

- ❑ **W-2 Forms:** These forms must be completed for all employees, including ministers. The form shows the income and deductions for the year.
- ❑ **1099 Forms:** These IRS forms must be issued to vendors who have been paid over \$600. Information such as EIN number, address, and contact details may require ample time to gather, so don't put this off.
- ❑ **Contribution Statements:** A contribution statement is the annual record that you must provide to each donor that notes all tax-deductible donations, amounts, and dates they were given.

Reminder: Make sure you have all your donors' gifts, amounts, and contact information stored for quick access.

Aplos Support - Aaron
487 W Shaw Ave
Fresno, CA 93704
US



Jane Doe
1234 Main Street
Anywhere, State 01010
US

Contribution Statement
As of: 12/09/2022
Period: 01/01/2022 - 12/31/2022

Total Contributions by Purpose/Fund

Purpose/Fund	Amount	NTD Amount	Total
AVA	\$3,100.00	\$100.00	\$3,200.00
Total	\$3,100.00	\$100.00	\$3,200.00

We appreciate all of the support you've been able to offer our organization this year! :)

List of Individual Contributions

Date	Note	Ref ID	Purpose/Fund	Amount	NTD Amount	Total
09/23/2022			AVA	\$2,900.00	\$100.00	\$3,000.00
09/23/2022			AVA	\$200.00	\$0.00	\$200.00

Unless otherwise noted, no goods or services were received in return for these contributions.

Aplos Support - Aaron Tax ID:

Sample Contribution Statement



THE RIGHT TOOL. WHENEVER. WHEREVER



- FUND ACCOUNTING
- ADVANCED BUDGETING
- REPORTING
- INTEGRATED BANKING

Aplos

The #1 choice for online accounting software

If you are looking for a better solution for your organization to manage the books and track donations, see why Aplos is the leading choice for nonprofit and church accounting.

Try Aplos free for 15 days by clicking aplos.com/free-trial or get a personalized consult of what Aplos can do for you [here](#)



487 W. Shaw Ave. Fresno, CA 93704