

# Year-End Close Out – How to Make It Easier

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Closing out your organization's accounting records each year can be an arduous process. That being said, it is critical to ensuring your organization's financial reporting is accurate. Closing out the accounting records on a monthly basis and utilizing a checklist will help to make the process more seamless at year-end. Consider developing a checklist that includes these areas.

## **Cash and investments**

Ensure bank reconciliations are completed monthly and any adjustments needed have been posted. This will cut down on the number of adjustments needed at year-end. Investment balances should be updated monthly, so the only adjustment needed will be for the final month of the year.

## **Receivable balances**

Review all outstanding receivable balances. Is everything recorded as a receivable collectible? Do any balances need to be written off? Look for balances that have not changed since last year, and investigate whether the payment was received, but the receivable was not reversed. Also, do a search for unrecorded receivables. Review revenues that have come in since year-end to determine if any should have been a receivable at year-end. In addition, review multi-year grant agreements for any receivables that need to be recorded.

## **Capital assets**

Know the capitalization threshold for your organization. Scan expenses for capital purchases and update the capital asset listing accordingly. Record depreciation on a month basis. Did the organization dispose of any items? Record those disposals in the capital asset listing.

### **Accounts payable**

Review all outstanding payable balances. Check on old payables to make sure they are still valid. Review expenses in the next month for any transactions that should be accrued (recorded as a payable) in the prior year.

### **Payroll accruals**

Record any adjustments for accrued payroll. This should also include any accrual needed for paid time off related liabilities based on your organization's policies.

### **Other asset and liability accounts**

Scan any other balance sheet accounts your organization has and review them for reasonableness. Pay attention to any balances that are the same as prior year and determine if an adjustment is needed.

### **Once a year adjustments**

Be sure to identify those adjustments that may only happen at the end of year. This could include items such as depreciation expense, in-kind donations, amortization of any discounts, etc.

### **Comparative financials**

Compare revenue and expense amounts to the prior year. Review any significant fluctuations for reasonableness. Ask yourself if the changes make sense. Review a budget comparison. This can help ensure revenues and expenses were recorded to the correct line in the accounting records.

Closing out accounting records is a necessary task. Using the tips above will help make the process smoother.

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