

## -- 4500 --Year-End Closing

An orderly, timely and comprehensive closing of all accounts will be performed by the business manager or designee to assure an accurate representation of the organization's financial statements and to provide the necessary documentation for the organization's independent auditors.

### A. Assets

Assets should be fairly stated, generally at realizable amounts. Work papers should show the basis and when required, how the amounts were calculated.

- **Cash** - Prepare bank reconciliations for year-end of balance per bank to the balance per books for each account. Show original dates and descriptions of each reconciling item. Prepare necessary journal entries and adjust the reconciliations. Prepare a summary of all petty cash and change funds. Totals must agree with the general ledger.
- **Investments** - Prepare a list of all securities on hand at year-end by location held such as broker or bank. Use full names and show the face amount or number of shares and date of acquisition. Determine cost and market values. Calculate accrued interest.
- **Accounts Receivable** - Obtain aged trial balances and reconcile to general ledger. Calculate possible allowance for uncollectible accounts and obtain approval of treasurer. Adjust allowance to calculated amount. Write off any unallocated differences.
- **Other Receivables** - Prepare schedule of grants and other miscellaneous receivables and reconcile to general ledger. Comment on collectability, if material.
- **Inventories** - Prepare a summary of all properties held in inventory. Reconcile inventories from physical inventory to year-end balances. Explain significant variations from prior year.
- **Fixed Assets** - Prepare a schedule of assets and related allowances for depreciation. Reconcile allowance additions to total depreciation expense. Trace disposals to capital gain and loss schedule or to expense if items were scrapped or discarded.
- **Other Applicable Materials as Requested by the Auditor.**

### B. Liabilities and Net Assets

Liabilities are shown as the amount to be paid in the subsequent period. Overstatement rather than understatement is the rule for liabilities. If in doubt, record the liability.

- **Accounts Payable** - Determine that all items paid through year-end are not shown on the accounts payable list. Accounts payable shall be kept open for 45 days after year-end in order to receive invoices and record in the accounts payable list. After this 45-day period, maintain a list of any items over \$1,000 that are received or paid that are not included in accounts payable but relate to that yearend period.
- **Accrued Payroll** - Calculate accrued payroll and vacation pay due by the number of days outstanding at year-end. Include any incentive bonuses or other special payroll payments.
- **Other Accrued Expenses** - Review accruals for payroll taxes, payroll deductions payable, interest expense on short term borrowings and long-term debt. Determine cost of audit and legal services through year-end and record.

**Income Taxes Payable** - The Federal tax payable schedule will be prepared with the assistance of the auditors. (This is applicable only if the organization has unrelated trade or business income, which does not relate to its exempt purpose).

- **Current Liabilities** - Prepare a schedule of debt and calculate and record the current portion due within one year and accrued interest.
- **Contingent Liabilities and Commitments** - Prepare a schedule of any outstanding litigation and possible loss. Prepare a schedule of all long-term rental agreements.
- **Net Assets** - Bring permanent file of all net asset accounts up to date.

### **C. Revenues**

Prepare a schedule of all revenues and compare amounts to prior year. Evaluate and comment on any significant differences. Prepare a memorandum on new revenue accounts. Also prepare a schedule of revenues by program for inclusion in the annual report.

### **D. Expenses**

Each expense total should be compared to the prior year and unusual variances reviewed and explained.

- **Payroll** - Prepare a schedule of all payroll and employer taxes and reconcile to payroll expense. Prepare a schedule of annual payroll and benefit levels for each organization employee for the auditors and annual report.
- **Legal and Professional Fees** - Prepare a schedule of all legal invoices with the amount and brief description of services rendered. Reconcile total to legal expense.
- **Bad Debt Expense** - Prepare a list of all accounts written off during the year. Note specifically any additions to the allowance for uncollectible accounts.
- **Interest Expense** - Prepare a schedule of interest expense by source. Reconcile amounts to short term borrowing and long-term debt.

Adopted: July 10, 2023