

# Closing the Books Checklist For Nonprofit Organizations

Prepared by Nonprofit Accounting Academy

## General Balance Sheet Procedures

- Agree beginning of year balances to prior year audit or review (if available) and/or to prior year Form 990 or 990-EZ (not 990-N). (*Tip – you can set a closing date and password in QuickBooks to prevent changes to prior year finalized numbers.*)
- Run a balance sheet report for prior month, quarter and year with a comparison column for the previous period; scan for unusual variations.
- Make sure every account balance on the balance sheet is accurate since these accounts carry forward into the new year. (*Tips for verifying balance sheet accounts are below.*)

## Cash and Bank Reconciliations

- Verify register balance per the bank reconciliation agrees to cash on the balance sheet.
- Investigate outstanding items more than one month old or that appear unusual or incorrect. Void/reissue old outstanding checks if needed and correct erroneous outstanding items.

## Accounts Receivable

- Run the A/R Aging Report; clean up old accounts receivable.
- Investigate negative balances for date errors or reclass to deferred revenue as appropriate.
- Investigate and correct line items with zero balance (*indicates payments are not linked to related invoice*).
- Review cash receipts in the first month of the new year for receipts that should be accrued.
- Record allowance for doubtful accounts.

## Other Current Assets

- Adjust prepaid insurance and other prepaid expenses.
- Review other current assets for detail support to ensure accurate balances.

## Fixed Assets

- Verify fixed asset additions exceed the organization's capitalization threshold.
- Record fixed asset disposals (*amount, accumulated depreciation and gain/loss*).
- Review expenses, especially supplies and repairs/maintenance for fixed asset purchases.
- Record depreciation.

### Accounts Payable

- Run the A/P Aging Summary Report; clean up old payables.
- Negative payables indicate a bill payment check is dated earlier than the date of the related bill. Present bill payment check as a prepaid expense if amount is significant.
- Review vendor payments in the first month of the year for prior year payables.

### Payroll Liabilities

- Check that payroll liabilities paid in the first month of the year clear out the prior year end liability accounts.
- Record accrued payroll based on year end cutoff.
- Record accrued PTO if applicable.

### Net Assets

- Make sure equity is properly allocated between the net asset classes.
- Nothing should be in Opening Balance Equity.

### Profit & Loss Procedures

- Run P&L report for prior month, quarter and year with a comparison column for the previous period and scan for unusual variations.
- Run a Transaction List by Vendor report to scan for potentially miscoded transactions.
- Record donated goods, services and use of facilities (*revenue and expense*).
- Agree gross wages to payroll service company reports and/or payroll tax returns.
- Review P&L by Class and make sure functional allocations appear reasonable and have a logical rationale.
- Enter a closing date for the end of the prior period as soon as books are complete to prevent inadvertent changes.