

How to Prepare for Month-End

Month-end refers to the process of “closing” the books and generating reports that show the previous month’s financial results. Before the books can be closed, all transactions must be identified and recorded. This usually involves the coordination of multiple people, so it should be an ongoing process throughout the month to prevent a time crunch once the month is over.

THROUGHOUT THE MONTH

Staff should be saving receipts and documenting purchases (we recommend a platform like Divvy to automate this process), paying bills, depositing checks and logging other income received.

AFTER THE MONTH IS OVER

1. Tell us your timeline

Respond to our email request with the date you need your reports. In our experience, it’s difficult to get everything done on the staff end before the 10th of the month. Note that *after* you’re done with all the steps on this list, we need at least three business days to complete month-end and generate reports (and Fridays are not a business day for us). We schedule our work based on this report date, and if the information isn’t ready on time, we can’t guarantee that you will get reports by your deadline.

2. Review account statements

Download copies of all account statements (including checking, savings, investment, and credit card accounts). Review the transactions on each statement and ensure that you have coding information and documentation for each transaction. If you do your own data entry into the accounting system, make sure each transaction on the statement is entered. If we do the accounting data entry, make sure each transaction on the statement is in the log or folder we use for data entry.

If there are any transactions on the statement that you don’t have receipts, invoices, or coding information for, research and then code them.

3. Check documentation

Make sure that documentation for significant transactions (grant award letters or contracts, invoices or receipts for equipment purchases that should be capitalized, etc) is uploaded or filed in the proper place so we can review it. If you accept online donations, make sure we can access donation detail reports. If you run reimbursements through payroll, make sure documentation for those are also accessible for coding in the accounting system.

4. Identify any accruals that need to be booked in the current month

In accrual accounting, there are two rules that determine when transactions should be recorded: (1) income should be recorded *when earned*, and (2) expenses should be recorded *when incurred*, regardless of when the money changes hands. This means you may need to record additional transactions in the books even though they are not reflected on the month's account statements. These transactions are called accruals.

Examples include an unconditional grant awarded in the current month but not yet received, monthly invoices for conditional grants, or a bill for professional services performed in the current month but not invoiced until early the following month.

There may also be transactions on the statement that are pre-paid expenses and shouldn't be reflected as expenses in the current month; for example, an early payment for the next month's rent or a security deposit.

Notify us of any accruals or pre-paid transactions so we can ensure they're properly recorded.

5. Make sure timesheets are completed

If your staff fill out monthly timesheets for program or grant allocations, ensure these are finished and reviewed/approved for accuracy.

6. Notify us that the books are ready to be closed

Let us know once all the data gathering and entry is done on your end, and ensure that we have access to all the data we need (statements, coding logs, CRM reports, expense receipts, grant documentation, etc). This should be at least three business days (not including Friday) before the report date you told us in step one.

If we do data entry for you, we will enter the month's transactions into the accounting system using the coding and documentation you've provided. If you do data entry in-house, we will review and let you know if we have any questions or see anything missing. We will then:

- Reconcile all bank/credit card/investment accounts, which means cross-referencing the information entered into the accounting system with the statements to verify that everything has been recorded properly.
- Enter any accruals, and make sure any pre-paid expenses are showing up in the correct month.
- Review the books for any accounts that look out of balance or transactions that look mis-coded.
- Allocate payroll expenses and any other shared costs to the appropriate programs, grants, fiscal sponsees, or other entities.
- Invoice your fiscal sponsees or other entities for their shared costs, if applicable.
- Adjust your net asset balances if you track grant expenditures or restricted programs this way.
- Review and pull financial reports and/or update finance dashboards and send to you.