

PREPARING FOR YOUR FINANCIAL YEAR END

Auckland Community Accounting offers free assistance and advice to assist charities and other small not-for-profits establishing their financial software and processes. This service is provided together with Massey University and a team of their students during the year. The students gain real life experience by being mentored by volunteer Chartered Accountants.



The financial year end is generally a busy period in the lives of the Treasurers and accounting staff of organisations. It is useful to pre-empt some of the key areas to ensure that any potential problems are mitigated. The attached checklist is not exhaustive and you will need to add in areas specific to your organisation.

DOCUMENTATION

Having all your documentation filed and ready makes it easier to prepare. Those considered key to year end preparation are:

- ❑ **Grant letters and approvals:** Key details include life of the grant, approved expenditure and GST included or excluded.
- ❑ **Invoices and claim forms for expenses:** These should be filed under the supplier and by date to facilitate review and enquiries.
- ❑ **Employee Contracts:** If there are employees, a contract is a legal requirement. It also includes annual and sick leave rights.
- ❑ **Tax returns:** This includes GST returns and PAYE returns (if any).
- ❑ **Contracts:** Include those for leases of assets, rental of properties and contracts for provision of services or work to be done. Part of the financial statements requires the disclosure of commitments under contracts extending to the following year.
- ❑ **Bank and credit card statements:** These are essential if you are using Excel for your accounts. They are less necessary if your accounting software downloads the transactions directly from your bank.
- ❑ **Board meeting minutes:** These need to be supplied to the auditor, if the organisation is audited, – can be directly from Board Secretary or Manager, or via account preparer.
- ❑ **Statement of Service Performance inputs:** Instruct other staff as to SSP requirements for the reports submitted to the auditor, with examples of how they gathered the stats (eg surveys or feedback forms, registration forms/reports)



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REVIEW OF YOUR FINANCIAL BOOKS

- ❑ **Bank accounts, credit card accounts, term investments and other banking processors (e.g. Apple, Paypal, Crypto currencies):** In manual systems it is essential to check that the balance for each account agrees with the bank statement. Accounting systems which download the bank details will generally automatically agree, but it is still important to run the reconciliation function to ensure there are no omitted or duplicated transactions. Checking this the month before year end allows time to follow up on any errors.
- ❑ **Creditor balances:** Check that your record for each creditor matches their Statement at the month end. This will identify missing invoices or situations where they have not processed receipts correctly.
- ❑ **Grants:** The important process here is to ensure that the money has been correctly used and any portion unused is moved from Grant Income into a Liability account – money unspent in the agreed period might have to be returned, or negotiated for an extension. Grants are one area where some providers include GST and others do not. Also check the nature of amounts paid to see you are not incorrectly claiming GST where an invoice does not report GST or on bank charges for financial services (interest, bank fees, etc).
- ❑ **Inventory:** Where the organisation has inventory that it uses or sells, plan a stock count for the last day of the year. This will need to be reconciled to the stock records and the balance in the books of account.
- ❑ **Fixed Assets:** If your accounting system does not include Fixed Assets, prepare the updated annual spreadsheet of value and depreciation. Ensure, by asset, that depreciation is charged for the relevant months.

FINANCIAL YEAR CUT-OFF

It is especially important over the year end to ensure that your transactions are recorded in the correct period. It is necessary to bear in mind whether the accounting is on a cash basis or accrual basis. This includes supplier invoices and, where the organisation invoices for supplies or services, those supplies.

PLAN FOR NEXT YEAR

Prior to the year end is a good time for the Board to review the goals and strategies achieved during the current year and to plan for the forthcoming year. This will include setting a budget covering how they intend to achieve these plans. The Treasurer will need to assess the ongoing viability of the organisation and its ability to source the funds to achieve the goals.



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