Year-End Preparation for Nonprofit Organizations

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Introduction

As the year draws to a close, everyone's to-do list grows longer and longer. For the nonprofit accounting team, the to-do list includes year-end close.

It's a labor-intensive and all-encompassing process, but one that is vital for the financial health and success of a nonprofit organization. Ensuring you have the data you need in the correct format will help you deliver critical reports to stakeholders as required.

The following steps have withstood the test of time among many NPOs who have found them to save time and effort. Taking time now to prepare for your nonprofit's year-end financial close will help you approach the holidays with less stress and a big task completed on your to-do list. That's a gift you can easily give yourself and your team this holiday season!

Be Prepared

As we approach the end of the year, your accounting team is gearing up for the crucial year-end close. By preparing now, you're not only ensuring a smooth year-end close but also gifting yourselves and your team a stress-free holiday season.

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A Comprehensive Year-End Checklist for Nonprofit Organizations

Year-End Checklist

On February 23, 2023, the IRS drastically changed the threshold for electronic filing for tax returns. New regulations reduce the electronic filing threshold from 250 W-2s to an aggregate of 10 informational returns (counting both Forms W-2 and 1099), beginning January 2024.

Now that you've prepared for the IRS change to reporting W2 and 1099 forms, it's time to work on your nonprofit's year-end procedures.

Stock Up on Paper

In some cases you won't need the preprinted tax return forms because the software prints the form for you.

However, if not be sure you have the *right* preprinted tax return forms (that is compatible with your software). Nothing is more frustrating than sitting down to work on your forms and finding you are out of forms! And don't forget the envelopes!

Gather the Team

Speak with your team and outline the timelines, steps, and processes to follow to prepare for year-end. Ensure that everyone has what they need to work on their portion of the project. It's essential to begin the process with a positive frame of mind and a shared sense of teamwork and camaraderie.

Plan Ahead

Take time to plan the tasks and time commitments required from the team. Rush projects aren't just an annoyance. They lead to higher stress levels, burnout, and more mistakes. When stress levels are already high for many people during the holiday season, adding a rush project like year-end close isn't healthy or productive. Provide plenty of time for everyone to complete their assigned tasks as part of year-end close.

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Check Your Financial Software

No matter what software you use, it's important to ensure it is current. Upgrades, patches, and updates are usually issued throughout the year, but if you have put any of them off, now is the time to make sure the financial system is completely updated.

Additionally, sign up for alerts with your software vendor in case the company issues last-minute changes. If you use an onsite version instead of a cloud platform, ensure you have the latest version.

Now, take a few minutes to refamiliarize yourself with the system. Perhaps you work only in one area of the nonprofit financial system, such as entering invoices or payments, and rarely use the payroll and reporting functions. Avail yourself of any training videos or help modules to be adept at the system.

Issuing 1099s

One of the biggest challenges to a smooth year-end close, which often takes the most time, is ensuring you have all the information needed. Check all vendors and ensure you have their contact information to issue 1099s. Review the requirements for forms 1099-NEC and 1099-MISC and ensure you have all your vendor information ready. This includes complete addresses and all relevant data needed to issue the 1099s. The Z vendor list (1099 vendors) can help you check your list and ensure everyone is included.

For example, within AccuFund, run a report in bills to get a list of bills marked as 1099 (report Z AP 1099 report). Make sure that this report is run to capture all possible 1099 companies. Then, ensure that if you need any W9s, you also have the information required for them. Run the report for W9s to make sure they are attached to the vendor.

Lastly, make sure you get certain bills paid if they need to be in by the end of the fiscal calendar year.
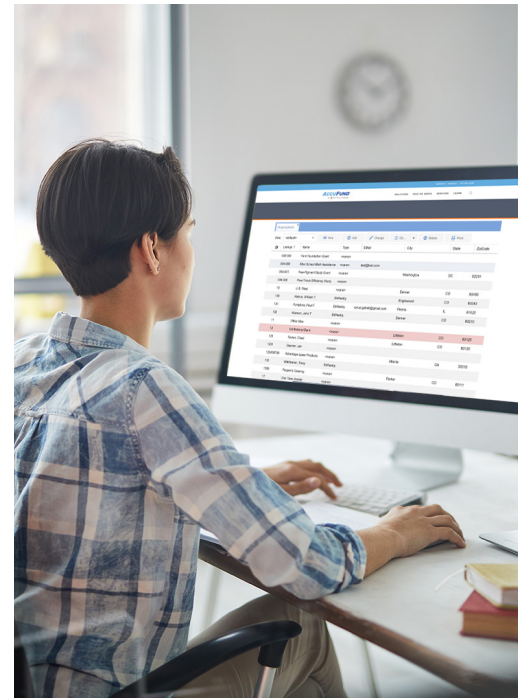
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IRS and SSA Logins & Updated Thresholds

Be sure you're up to date on the IRS and/or SSA portals. In most cases, your last password has expired and will need to be updated. Don't wait to the last minute to do this in case there are issues.

Depending on your software requirements, renew/setup online filing with IRS and/or Social Security. The IRS changed their electronic filing requirements for FY 2023. This still impacts many organizations, so it's critical to mention it now while there's time for you to prepare for it.

On February 23, 2023, the IRS drastically changed the threshold for electronic filing for tax returns. Previously, the threshold was 250 returns. The IRS has changed this to 10 returns. The total may be any combination of W2s and 1099s issued by an organization. For example, if you issue seven W2s and three 1099s, you have a total of 10 returns that must be filed electronically. This rule applies to all types of 1099s (1009 NEC, 1099 MISC, etc.)

If your software provides a file that can be uploaded to the IRS, you must apply for access to the system in advance. For more information, see IRIS, the IRS e-filing system.

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Payroll

Just as you need to double-check that your vendor records are up to date, this is a good time to double-check that your employee records are updated so that you can issue accurate W2s. Ask employees to confirm their information as part of a routine year-end update. Also, be sure to address 1095 filings to make sure they have the correct codes for their own filing needs.

Grant Expenditures and Tracking

Grant expenditures are one area where a nonprofit organization's year-end close process differs from that of a for-profit. Some grantors require that expenses be paid before the year-end to comply with requirements. Double-check your grants to ensure that all accounts are updated and any bills for the fiscal calendar year are correctly attributed.

Send Donation Thank You Letters and Receipts

If your nonprofit organization receives $250 or more in donations, it is important to mail thank you letters and receipts to donors to ensure they have sufficient information for their taxes. Be sure to include the donor's name as well as the date of the donation and the amount donated. It should also include the legal name and EIN of your organization and a statement regarding your organization's 501(c)(3) status.

You may also need to include a statement that your nonprofit didn't provide goods or services in exchange for the gift and a description and good faith estimate of in-kind contributions made to your organization.

Many nonprofits receive donations exceeding $250 during the holiday season. In fact, 30% of all annual giving takes place in December and 10% during the last three days of the year. To save time, send out as many letters as you can now, but note: you have until January 31, 2025, to issue any remaining letters and receipts.

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Review Internal Controls and Procedures

End of year is also a good time to review your organization's internal controls and processes. Has anything changed in the past year, such as signatories on accounts? If so, update your process documents.

If you have new employees or volunteers, schedule time in the new year for training on accounting controls. All new employees should also be well-versed in how to handle funds, checks, expenses, and reimbursements.

Make Backups and Run Any Remaining Reports

Lastly, before bidding your accounting team a happy holiday, ensure that your system is completely backed up once all of your hard work is entered. The hosting company typically backs up cloud systems, but onsite system backups are your responsibility. Purchase a new external hard drive or backup device and store the final backup in a safe location.

Have a Happy and Stress-Free New Year!

Your system is updated, and you have set up your new electronic filing portal with the IRS and Social Security. You've got all of your vendor and employee contact information updated. You've even ordered the right paper for the printer and updated your systems. Doesn't it feel good to be organized?

By following this nonprofit end-of-year checklist, you'll allow plenty of time to handle the important accounting and finance tasks well before the holidays arrive. And that will give you plenty to celebrate come January 1.

About AccuFund

AccuFund financial management solutions are designed specifically for fund accounting and the unique reporting requirements needed by nonprofits and government entities—it's one reason nonprofits and government entities have put their trust in AccuFund since 2001.

In January 2023, AccuFund became a subsidiary of i3 Verticals. i3 Verticals is a publicly traded company specializing in local government, nonprofit, education, healthcare, and more. AccuFund brings a high-quality accounting solution to their portfolio and complements their existing solutions.

Our complete fund accounting financial management solution – available online or onsite – consists of a strong core system and modules that allow you to expand as your needs evolve. AccuFund is known for its scalability, core function capabilities, reporting, integration, and customer support. We enable organizations to streamline every aspect of their operations.

The AccuFund system will free your accounting team, department managers, and project managers from the burden of maintaining spreadsheets. In addition to hundreds of reports that can be generated and distributed directly from the system, critical information can be displayed through dashboards so that every manager has their key data metrics visible throughout the day.

AccuFund offers online or onsite options:

- **Online**. True browser-based solution. Subscription-based. Pay a monthly subscription fee to access the solution through a browser.

- **Onsite**. The traditional method of housing your software. License a solution that is installed on a server that resides physically within your organization.

For more information, please contact us at 877-872-2228 or email us at sales@accufund.com

Visit our website www.accufund.com for more product information, a schedule of webinars for nonprofits, and other information on fund accounting solutions.