

Nonprofit Year-End Tasks

By David Gray, President, Finance Arts, LLC

As the calendar year comes to a close there are some tasks that all nonprofits should consider, though the list for those that are also on a calendar-year fiscal-year have many more!

For Everyone:

Even though your budgetary year may not be ending now, there are some issues that have to be addressed. For example, many employee benefits have annual renewals that fall on the calendar-year. Make sure the prices of your plans and the benefits offered are what you expect. Likewise, if employees have options that can only be changed at the end of the calendar-year, remind them that it is time for decisions.

Your employees' annual tax forms will soon be due so you need to prepare all W-2 and 1099 statements shortly. Likewise, all quarterly income tax reporting will soon be due.

Your donors use a calendar-year for tax reporting so you need to acknowledge all gifts over \$250, and there are more complicated rules when part of a donor's payment resulted in a benefit to the donor. For example, if they bought a gala ticket for \$100 and received a meal worth \$30 then only \$70 is deductible and this must be acknowledged.

Finally, all bank agreements, loans and insurance policies should be reviewed because there may be specific year end requirements. There may also be grant or contract reporting that needs to be done. Review the contracts and grants to make sure you have done what you said you would do, and if not, be prepared to explain why.

You may be required by your State to make an annual filing (in addition to your annual IRS filing related to your ongoing nonprofit status) so be sure you know the requirements in this area.

For Fiscal-Year Ending on 12/31

You will have numerous year-end reports to prepare, like budget vs. actual for the fiscal-year. You should already have a Board approved budget for the coming fiscal-year but do you also have reports covering differing scenarios, such as, what happens if we miss our fundraising goal by 5% or 10%? These reports will help senior management assess progress and understand the potential downside for the coming year.

Does your organization conduct annual employment reviews? As an employee it is a good time to write down what you did and how well you did it. As an employer or supervisor, you should likewise write up your notes on the work of your employees.

It is also time to clean up your files, preparing new files for the coming year.

Finally, if you are thinking about implementing any new software, especially new accounting or bookkeeping software, this may be the time. Starting the new year on the new system may be much easier than starting midyear and having to convert, or worse, recreate, months of data so the new program has complete information for the year. Don't rush this if you are not ready. Take the time to learn the new system(s) and understand that you will have to make numerous adjustments. The new software will not have accurate "carry-over" information from the previous fiscal year until your year-end reports are done and entered into the new system.

The Last Word:

Everyone should create a written procedures manual that includes these year-end tasks so it won't be a mystery at this time next year!

David Gray is President of Finance Arts, LLC, a financial planning and nonprofit consulting firm. Gray is a Certified Financial Planner® who provides fee-only personal financial planning services to individuals and families, and also consults with nonprofit organizations in the areas of planning, finance, management and Board training. Gray is the author of the *Finance Arts Guide to Nonprofit Cash Flow*. Learn more at www.FinanceArts.com.