

## **Closing the Accounting Year (Versions 6-8.5)**

***Please note: This article only applies to Versions 6 through 8.5.***

***After the Fund Accounting system was redesigned in Version 9 (2004) there is no more concept of closing the year. You simply move from month to month and PowerChurch automatically recognizes when you move into a new year.***

Perhaps the busiest time of year for churches is the 62-day stretch between December 1 and January 31. Along with the usual Christmas programs, choir practices, and year-end outreaches comes the joy of printing hundreds of contribution statements, processing dozens of year-end reports, and closing the accounting year.

For 20 years we have been helping churches make a smooth transition between the year past and the year new. To help you ring in this new year a little less stressfully, our Technical Support Staff developed this guide. Following you will find answers to some of the most commonly asked year-end closing questions.

### **When should I close?**

When you close the year is really up to you. Some churches close after they have finished entering transactions to the prior year. Others close after they receive and reconcile their final bank statement. Regardless of when you choose to close, keep in mind that PowerChurch Plus will allow you to enter transactions for your next year in every module.

### **How do I post to a future month in Contributions / Accounts Receivable / Accounts Payable / Payroll?**

As long as you are in accounting month 12 or 13, you are able to post transactions over to Fund Accounting for the first two accounting months of the future year. When posting transactions in these modules you will be prompted for an accounting period. Be sure to override the default with the accounting period that you desire. For instance, you might enter 0201 for transactions that need to be posted to the first month of the 2002 accounting year. Please keep in mind that these transactions will remain as unposted transactions in Fund Accounting until the appropriate month (01 or 02) becomes the current month.

## **What is accounting month 13 used for?**

Month 13 is a transition month. While you cannot post transactions to this month, you can make adjustments to the current year and post to the prior month (month 12). In addition, if you need to enter transactions for the upcoming year, you can enter transactions for months 01 and 02. Month 13 is an excellent time to make final backups and run all necessary reports before closing the year.

## **What does closing do?**

The end-of-year closing process in PowerChurch Plus does the following:

- Deletes all transaction detail posted to Fund Accounting keeping only balances.
- Transfers unreconciled checks and deposits (if any) to a prior year file so that you can access them in the new year.
- Total Expenses are subtracted from total Income to determine your year-end "Excess Income over Expense" figure. This amount is then added to the Fund Balance account in your chart of accounts which is then carried forward as the year-start balance.
- In compliance with standard Fund Accounting principles, any ending balances from Asset and Liability accounts are carried forward and become year-start balances for those accounts. Income and Expense accounts return to zero.
- Monthly balances are moved into a previous year field located in the Maintain Chart of Accounts screen.
- Next Year's Budget moves into This Year's Budget fields (version 8 and above).

## **What must I do before I close?**

Verify that you have installed the latest Maintenance Release for your version

As problems arise, we make available new Maintenance Release for PowerChurch Plus. To ensure that you do not encounter problems during closing, it is recommended that you install the latest Maintenance Release available for your version. For more information, visit us online at: [www.powerchurch.com/mr](http://www.powerchurch.com/mr)

## **Which reports should I run?**

Many users are unsure about which reports they should run before closing the year in Fund Accounting. Unfortunately, there is no simple answer to this question. Basically, you will want to run any reports that you normally run at the end of each month. The most important thing to keep in mind is that the detail of actual transactions posted will not be available to you after you close the year. With this in mind, you may want to run reports such as the Selected Transaction report, Account Activity report, or Ledger report (version 8 and above) to refer to later in the year.

## **Make backups of your data files**

Closing the accounting year is an important and irreversible moment in the accounting cycle. It is **strongly** recommended that you make a backup of your data files before closing.

Within PowerChurch Plus you have the ability to backup data files to floppy disks. In version 8 and above, you have the ability to back up to ZIP disks as well. Version 8.5 adds the ability to backup to CD-R/RW drives. Before closing the year, we would recommend that you make more than one backup of your data from within the program. At least one All Data Files backup and a separate Accounting backup would be ideal. After all, disks are not very expensive and having an extra backup (or two) has often times proven to be invaluable. If you do decide to make more than one backup, you may want to keep one of them in a safe or off site in a safety deposit box for added security. If you have Version 7 or above of PowerChurch Plus, you can actually verify that the backup was successful by using the Verify Backup option under the Utilities, Backup & Restore Files menu. If any errors are reported, make a new backup on a new disk. Finally, if you use an external backup system such as a tape backup, it would be wise to make a backup of the entire directory that PowerChurch Plus is installed in. If you have questions about using an external backup system, you should contact your network or system administrator.

## **How do I close?**

### **How do I close the Fund Accounting Module?**

#### ***Versions 9 and higher:***

There is no "Close the year" process in newer versions of the software.

#### ***Versions 6 to 8.5:***

To close the year, you must be in accounting month 13. If you are not in month 13, you must first close the month as you normally would. After all transactions have been entered, desired reports printed, and backups made, you are ready to close the year. To close, select Close End Of Period from the Accounting, Fund Accounting menu and choose "Year."

### **How do I close the year in Contributions / Accounts Receivable / Accounts Payable / Payroll?**

The Contribution, Accounts Receivable, Accounts Payable and Payroll modules do not have a closing process. These modules allow you to continue entering and posting data year after year.

## **In Contributions, what does "Year End Pledge Processing" do?**

### ***Versions 6.2 and 7:***

While the Contribution Module does not have a closing process, it does have a "Year End Pledge Processing" feature. This feature allows you to change all existing pledges to reflect the new year. This process is only recommended for pledges that run on a calendar year (for example: 01/01/1999 to 12/31/1999). This process will roll forward **ALL** pledges in **ALL** funds one year. For example, a calendar year pledge with the beginning date of 01/01/1999 and end date of 12/31/1999 will be rolled forward to 01/01/2000 through 12/31/2000. In addition, if you have a multiple year pledge with a begin date of 01/01/1997 and end date 12/31/1999, your new start date will be 01/01/1998 and end date 12/31/2000.

During the process, you will be prompted as to whether or not you want to carry forward any pay-aheads or under payments. If you answer yes to these questions, the new pledges will show either a positive or negative amount in the Pledge Start Balance field depending on whether or not the pledge was underpaid or overpaid. Please note that carrying pledge balances forward is optional and will effect ALL pledges in ALL funds. Before using this feature, it is strongly recommended that you make a backup and run any necessary contribution reports first.

### ***Version 8 and above:***

This feature is used to create new pledge records based on expired ones. It **does not** change existing pledges.

Please note, it is important in version 8 and higher to add new pledges each year. DO NOT just change the dates in the existing pledges. This may cause your pledge balances to be grossly overreported.

## **Now that I've closed... How do I reconcile prior year checks and deposits?**

Follow the same procedures as usual, except you check the box for "Prior year transactions." You will find this at the bottom left corner of the initial Maintain Check Register prompt. If you want only the unreconciled checks and deposits to be displayed on the register, you can specify this on the same screen.

## **How do I put year-start balances in for my income and expense accounts?**

According to standard accounting practices, income and expense accounts should start each year with a zero balance. These accounts are measures of the income and expenses the church has incurred during the current accounting year. PowerChurch Plus 7 and above adheres to this standard accounting practice and therefore will not

allow you to enter a starting balance on income and expense accounts. If you are in the practice of using the income accounts to keep up with the balance for missionaries from year to year, there are some alternative methods to consider. You could either set up a different accounting fund for each missionary or set up sub-accounts of your existing asset accounts to allow the designated balances to carry forward from year to year. For more information on this practice, please refer to [Using Sub-Accounts To Track Designated Gifts](#).

## Update your Tax Tables in Payroll

With each new year comes new tax laws and tax tables. If you have set up PowerChurch Plus to automatically calculate withholding amounts, you will need to verify that your tax table information is still up-to-date. To do this online, visit [www.powerchurch.com/support/pr/](http://www.powerchurch.com/support/pr/) for information on updating your tax tables as well as links to the federal and state revenue websites.

## Mass Envelope Number Reassignment

Many churches reassign envelope numbers at the beginning of each year. PowerChurch Plus will allow you to reassign envelope numbers without losing the giving history of your contributors. For help with reassigning your envelopes, follow the applicable instructions listed below. ***If you want to fill in the gaps left by unused numbers:*** First, print out an Envelope Numbers List report in envelope order. Identify the unused numbers. Using the "Reassign An Envelope Number" feature in Contributions, reassign the highest assigned envelope number to your first unused number. For instance, if your envelopes run 101, 102, 104, and 105, you will want to reassign envelope 105 to 103 to fill in the gap. Continue the process by reassigning your ***new highest*** envelope number to the ***next unused*** envelope number. Repeat these steps until your list has no unwanted gaps.

***If you need to change everyone's envelope number:*** When reassigning all envelope numbers, you must first free up the envelope number range that you are currently using. To do this, you can reassign envelope 101 to envelope 2101 for example. Once you have moved every number out of the range that you were previously using, you can then begin reassigning the envelopes to the desired new number. For instance, 2101 may now become 104.

## I was in balance before I closed the year, now I'm not. What happened?

If you find that you were in balance before you closed out the year and now you are not, you may want to take a look at the year-start balance field of your Income and Expense accounts. A common cause of this problem is the result of a loophole in version 6.2 that allowed users to enter year-start balances in Income and Expense accounts. If you had an amount in the year-start balance field of an income or expense account it would have been added to your activity and used to calculate the Excess

Income and Expense figure.

When the year is closed, the Excess Income and Expense amount is added to your new year's Fund Balance account. When running a balance sheet for your new year you will find that the Fund Balance account is showing more than it should. To correct this issue, you will need to contact PowerChurch Software Technical Support for assistance. To contact us by phone, please call **(800) 486-1800** or send us an e-mail at [www.powerchurch.com/contact](http://www.powerchurch.com/contact).

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