Introduction

As we approach the end of the year, it is necessary to prepare for the annual audit as well as finish up the year’s work from an accounting perspective. There is much that you can do to facilitate a fast and orderly audit resulting in few adjustments.

Look at the audit as a review and evaluation of internal controls, a determination of the accuracy of the council’s accounting records, year-end balances, and accounting procedures. The objective is to obtain an “unqualified opinion” on the fairness and reliability of the financial records with as few corrections by the auditors as possible.

Too many councils depend on their auditor to make the year-end adjustments and even to close their books. This is not necessary, nor is it the function of an auditor. A council should keep complete records, including preparing and posting all year-end closing adjustments to the General Ledger before closing the General Ledger for December.

With proper preparation, councils should be able to close their books by January 10. Do NOT keep the books open for audit adjustments. Audit adjustments can be made at any time during the year.

! Important

Import and post all PAS transactions for the year before beginning the process to close the General Ledger. Have fundraising stop posting and distribute to the general ledger. It will take approximately 20 minutes for the transactions to come over to the General Ledger.

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Prepare Accounts for General Ledger Year-End Reports

Overview
As the council enters the 12th accounting period, you must prepare the General Ledger to close by doing the following:

- Make sure that all cost centers that are deferrable have a future date in the cost center file. This date should be the last day of the event.
- Review your asset and liability accounts, checking for year-end adjustments that may be necessary. This document contains a list of these accounts and some suggestions on making adjustments.

Cash (1000 Series)
Balance the checkbook or account and validate the balances shown in the cash accounts for all three funds.

- General Checking Account (1001)
- Depository Account (1011)
- Payroll Checking Account (1048)

Transfers between bank accounts (1049). The balance of these accounts in all three funds should be zero.

- Savings Account (1051)
- Camp Checking Account (1071)
- Petty Cash (1081)
- Change Fund (1089)

Short-Term Investments (1100 series)
Balance the investment accounts with statements received and data from investment sources for all three funds.

- Short-Term Investments (1101)

Continued on next page
General Ledger Year-End Procedures 2010, continued

Accounts and Notes Receivable (1200 series)

Recheck the files to ensure that any fees due from government agencies have been recorded (1201).

Recheck the files to ensure that any grants due from government agencies have been recorded (1211).

Validate that properly signed and notarized notes have been booked in the following accounts:
- Notes Receivable—Units (1221)
- Notes Receivable—Other (1222)
- Notes Receivable—Employees (1234)

Check to see that credit extended to units has been recorded (1241).
Check to see that credit extended to others has been recorded (1242). Examine your returned checks file to ensure that the value of all returned checks is reflected in your books (1243). Offset to cash (1001) in most cases. To write-off checks that the Scout executive has classified as uncollectible, debit account 9417 and credit account 1243.
Check to see that credit extended to other councils has been recorded (1244).

Ensure that employees and volunteers who have received cash advances have settled and the appropriate expenses have been charged. This account should reflect all cash advances not accounted for at year-end (1254).

Credit extended to employees for supplies (uniforms, for example) and not fully repaid should be reflected in this account (1255).
Deposits that are left with vendors (post office, postage machine lessor, etc.) should be recorded in this account (1261).
Refunds and claims not yet returned are noted in this account (1262).
In some councils, sales tax is charged for all council purchases and the council may file for a refund. Any refunds due that have not been received should be reflected in account 1263.
In councils where use tax is charged by the state, the council may file for a refund. Any refunds due that have not been received should be reflected in account 1264.
Many investment accounts do not coincide with the end of the accounting period. A calculated figure is booked to reflect income that is earned in the current year (1271). The offset is to the investment income account (6501, 6502, or 6503) in all three funds.

Continued on next page
<table>
<thead>
<tr>
<th>Pledge Receivables (1300 series)</th>
<th>Take the list of collectible pledges from the fundraising campaigns as edited by management and adjust the allowance and provision accounts for FOS, project sales, capital campaign, special events, and United Ways to match the uncollectible lists.</th>
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<tr>
<td></td>
<td>Check the summary of campaign report for each campaign to see that the total pledges on the report are the same as those in the income and reclassification accounts on the General Ledger.</td>
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<td>Check the Pledge Receivables Aging Report total against the total in the Pledge Receivables Accounts in the General Ledger.</td>
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<td>FOS (1301) fund 1 only</td>
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<td>Allowance for Uncollectible Pledges—Project Sales (1372) Capital Campaign (1303) fund 2 only</td>
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<td>Allowance for Uncollectible Pledges—Capital Campaign (1373) fund 2 only</td>
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<td>Special Events (1304)</td>
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<td>Allowance for Uncollectible Pledges—Special Events (1374)</td>
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<td>Pledges Receivable—1910 Society (1345) offset to 4525 Allowance—1910 Society (1377)</td>
</tr>
<tr>
<td></td>
<td>FOS—Next Year (1331) fund 1 only</td>
</tr>
<tr>
<td></td>
<td>Allowance for Uncollectible Pledges—FOS—Next Year (1391) fund 1 only</td>
</tr>
</tbody>
</table>

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General Ledger Year-End Procedures 2011, continued

Future Pledge Receivables (1300 series continued)

- Project Sales—Future Year (1332)
- Allowance for Uncollectible Pledges—Project Sales—Future Year (1392)
- Special Events—Future Year (1334)
- Allowance for Uncollectible Pledges—Special Events—Future Year (1394)
- Legacies and Bequests—Future Year (1335)
- Foundations and Trusts—Future Year (1336)
- United Ways—Future Year (1338)
- All United Ways (1398)
- Other Direct Contributions—Future Year (1340)
- All Other Direct Contributions (1390)

Check to see that the prior year pledge receivables and allowance accounts are empty. If they are not, accounts should be closed and the remaining uncollectible pledges written off.

- FOS—Prior Year (1321) fund 1 only
- Allowance for Uncollectible Pledges—FOS—Prior Year (1381) fund 1 only
- Project Sales—Prior Year (1322)
- Allowance for Uncollectible Pledges—Project Sales (1382)
- Special Events—Prior Year (1324)
- Allowance for Uncollectible Pledges—Special Events—Prior Year (1384)
- Legacies and Bequests—Prior Year (1325)
- Foundations and Trusts—Prior Year (1326)
- United Ways—Prior Year (1328)
- Other Direct Contributions—Prior Year (1330)

**Note:** Prior year write-offs must be charged to account 9432.

Reconcile Accounts

When the above accounts do not match, do the following:

In the General Ledger, the council may have an allowance account (for uncollectible pledges) and a pledge receivables account, which were not closed from the previous year’s campaign. In this case, you must create a general ledger transaction for the following:

1. Debit the allowance account.
2. Credit the pledge receivables account.
3. Place the difference in account 9432 (uncollectible pledges expense) or 6931 (miscellaneous income).

*Continued on next page*
1401—Trading Post Inventory After you have completed inventory (see SellWise year-end on the ScoutNET support site), adjust the trading post inventory (1401) to the actual shown on the inventory sheets. Indicate the offset in cost of goods sold (6351).

1402—Inventory Consigned to Employees At the end of the year, accumulate, count, refresh, and replenish all inventory assigned to employees.

1403—Inventory Consigned to Others At the end of the year, accumulate, count, refresh, and replenish all inventory assigned to others.

1404—Product Sale Inventory Count the inventory remaining after product sales and book the inventory value of the products in account 1404. The offset goes to cost of goods sold (6451).

1421—Camp Trading Post After the camp trading post inventory has been taken, extended, and totaled, adjust the total camp trading post inventory (1421) to the actual shown on the inventory sheets. Indicate the offset to cost of goods sold (6712).

1441—Inventory Donated Goods and Services for Resale This should be the value of any inventory remaining after an auction or other type of special event that depends on donated goods or services. Offset to 4261.

1451—Food Inventory After the camp food inventory has been taken, extended, and totaled, adjust the total food inventory (1451) to the actual shown on the inventory sheets. Indicate the offset to the food expense account (8104).

Interfund Loans (1600 series)

When the council temporarily borrows money from other funds, the transaction should be reflected in an inter-fund loan account. The balance in the inter-fund loan accounts for both the fund from which the money was borrowed and the fund to which the money was loaned should be equal but opposite in sign. The sum of all the inter-fund loan accounts in all funds should always equal zero. If they do not, then the transactions from each fund must be examined to find the missing transactions. In most cases, inter-fund loan accounts should have a zero balance. Balances in these accounts should be no more than 30 days old.

Continued on next page
Prepaid Expenses (1700 series)

1701—Prepaid Insurance Print the schedule from the insurance ledger or build a schedule of insurance policies, showing the amount of each policy that has been amortized (insurance expense accounts) and the balance to be amortized in the following year (1701). Adjust between insurance expenses and account 1701 until the prepaid account balances with the schedule.

1702—Prepaid Workers Compensation The amount of workers’ compensation funds on deposit with the state or prepaid workers’ compensation insurance should be reflected in account 1702.

1703—Prepaid Fundraising Expenses Check to see that prepaid fundraising expenses for contributions (1703) belong to a future period.

1704—Prepaid Special Event Expense Check to see that prepaid fundraising expenses for special events (1704) belong to a future period.

1705—Prepaid Interest Interest paid for a future period.

1706—Prepaid Rent Rent paid for a future period.

1707—Prepaid Taxes Taxes paid for a future period.

1708—Equipment Service Contracts that extend into a future period should be noted in account 1708. Offsets go to account 8502, 8503, 8504, 8505, 8507, 8509, or 8510.

1709—Prepaid Building Maintenance Expense The amount of building maintenance service contracts that extend into a future period should be noted in account 1709. Offsets go to account 8409.

1710—Prepaid Expenses Account 1710 is for other paid expenses for future events. Offset is usually account 9431.

1711—Office Supply Inventory After the office supplies inventory has been taken, extended, and totaled, adjust the total office supply inventory (1711) to the actual shown on the inventory sheets. Place the offset in office supply expenses (8106).

1712—Expendable Audiovisual and Training Supplies After inventory has been taken, extended, and totaled, adjust the total in account 1712 to the actual shown on the inventory sheets. Place the offset in audiovisual supply expenses (8107).

1713—Expendable Camp Equipment After inventory has been taken, extended, and totaled, adjust the total in account 1713 to the actual shown on the inventory sheets. Place the offset in supplies—camp equipment expenses (8111).

1731—Other Materials and Supplies After the program supplies inventory has been taken, extended, and totaled, adjust the total other materials and supplies (nonsalable) inventory (1731) to the actual shown on the inventory sheets. Place the offset in program supplies expense (8103).

1751—Other Current Assets Make a detailed listing of other current assets (1751).

Continued on next page
General Ledger Year-End Procedures 2011, continued

Land, Building, and Equipment (1800 series, fund 2 only)

Review all of your major purchases and identify any items that are at or above the council’s floor for depreciability (typically $500 to $2,000). Book new assets in the proper asset account and use the appropriate contribution or revenue account as the offset. In addition, all new assets need to be booked in 3261, net asset adjustment to 3201, offset to 3262, net asset adjustment to 3202.

Land (1801 or 1802)
Land Improvements (1806 or 1807)
Buildings (1811 or 1812)
Leasehold Improvements (1816 or 1817)
Furniture, Fixtures, and Equipment (1821 or 1822)
Motor Vehicles (1826 or 1827)
Aquatics Equipment (1832)
Capital Leases (1836)

Any unfinished construction should be reflected in account 1841. All fixed assets need to be depreciated by the number of months, up to 12, that the asset has been in existence. Most items will be 12 months, but new items should be depreciated only for the period they have been an asset to the council. Print a master list of fixed assets for the auditor and place it in a separate folder.

<table>
<thead>
<tr>
<th>Accumulated Depreciation Account</th>
<th>Name</th>
<th>Expense Account</th>
<th>Usage Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1856 or 1857</td>
<td>Land Improvements</td>
<td>9501</td>
<td>99 or 25</td>
</tr>
<tr>
<td>1861 or 1862</td>
<td>Buildings</td>
<td>9502</td>
<td>99 or 25</td>
</tr>
<tr>
<td>1866 or 1867</td>
<td>Leasehold Improvements</td>
<td>9503</td>
<td>99 or 25</td>
</tr>
<tr>
<td>1871 or 1872</td>
<td>Furniture</td>
<td>9504</td>
<td>99 or 25</td>
</tr>
<tr>
<td>1876 or 1877</td>
<td>Motor Vehicles</td>
<td>9505</td>
<td>99 or 25</td>
</tr>
<tr>
<td>1882</td>
<td>Aquatics Equipment</td>
<td>9506</td>
<td>25</td>
</tr>
<tr>
<td>1886</td>
<td>Capital Leases</td>
<td>9536</td>
<td>99 or 25</td>
</tr>
</tbody>
</table>

Long-Term Investments and Other Non-Current Assets (1900 series)

All long-term investments (longer than one year) for each fund need to be recorded (1901). If fixed assets are donated for the express purpose of selling the assets, then the value of the assets should be booked in the fund designated by the donor to benefit from the sale (1951). Offset is other direct contributions (4501). The total of unrealized gains or losses from assets should be recognized and booked in account 1953, unrealized gains or losses (noncurrent). Unrealized gains from endowments remain in the Endowment Fund.

Continued on next page
Review the Accounts Payable Aging Report and compare the figures to all of the 2006 accounts in the general ledger. If there is a discrepancy, determine where the error is and credit or debit the appropriate account. Bring the general ledger in balance with the corrected aging report.

The following accounts reflect expenses not yet invoiced but already made that are to be charged to the current year. These accounts should be used for items that cannot be entered into the accounts payable system. Accrued vacation pay and accrued payroll would be entered by a general journal entry in the general ledger.

- 2101 Accrued Insurance
- 2105 Accrued Interest
- 2106 Accrued Rent
- 2107 Accrued Taxes—Real Estate and General
- 2111 Accrued Payroll
- 2112 Accrued Vacation Pay
- 2121 Accrued Professional Fees
- 2131 Accrued Expenses—Other

Payroll deduction accounts show the liability for taxes and other voluntary withholdings. The general rule is that the credit balances that should be showing on these accounts represent one payroll’s taxes and one month’s benefits. Once you receive an invoice and book these to accounts payable, they should net to a zero balance. If you are using the payroll option in the BSA’s personnel support software, then the Social Security tax figure represents the withholding amount plus the employer’s liability. All of these accounts need to be audited before the end of the year to make sure that the proper amount is showing. When appropriate, the offsets go to the matching expense account.

- 2201 Social Security Taxes (7201)
- 2202 Federal Income Taxes
- 2203 State Income Taxes
- 2204 County Income Taxes
- 2206 City Income Taxes
- 2212 State Unemployment and Disability Taxes (7202)

Continued on next page
Payroll Taxes, Benefits, and Withholdings Payable (2200 series) (continued)

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2213</td>
<td>Other Payroll Taxes</td>
</tr>
<tr>
<td>2221</td>
<td>Group Accident (7101)</td>
</tr>
<tr>
<td>2222</td>
<td>Group Life (7102)</td>
</tr>
<tr>
<td>2223</td>
<td>Major Medical (7103)</td>
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<td>2224</td>
<td>Retirement (7104)</td>
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<td>Long-Term Disability (7108)</td>
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<td>Dental (7109)</td>
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<td>2230</td>
<td>Vision Care (7110)</td>
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<td>2231</td>
<td>Tax-Deferred Annuity</td>
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<td>2232</td>
<td>Scout Executives’ Alliance</td>
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<tr>
<td>2233</td>
<td>Credit Unions</td>
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<tr>
<td>2234</td>
<td>Other Group Insurance</td>
</tr>
<tr>
<td>2235</td>
<td>United Way</td>
</tr>
<tr>
<td>2237</td>
<td>FOS</td>
</tr>
</tbody>
</table>

Custodial Accounts (2300 series)

Custodial accounts need to be audited as part of the year-end process. Depending on the accounts, there are various sources for doing this.

2301—Registration fees need to be counted at the end of the year, and fees transferred and fees received need to be balanced. Registrations received at the council but not yet transferred to the national office as of the end of the month should balance with the figure in account 2301.

2302—Boys’ Life subscriptions need to be counted at the same time as registrations to balance account 2302.

2303—Contributions to the World Friendship Fund not forwarded to the national office should be reflected in account 2303.

2304—If the region has a courtesy fund, then contributions not forwarded to the region should be reflected in account 2304.

2305—Money contributed to the Council Fellowship Fund and not spent on fellowship items should constitute the balance in account 2305.

2306—Other custodial funds held by the council need to be audited from whatever sources are available 2306.

2307—Direct Scouting magazine subscriptions not forwarded to the national office should match the balance in account 2307.

Continued on next page
Custodial Accounts

2341—An audit of the unit deposit records should tally with the balance being carried by account 2341. The point-of-sale software should provide a detailed listing to balance this account.

2341—An audit of the unit deposit records should tally with the balance being carried by account 2341. The point-of-sale software should provide a detailed listing to balance this account.

2351—Money received from volunteers for national training courses but not yet forwarded to the national office should show in account 2351.

2352—Money received from volunteers for regional training courses but not yet forwarded to the region should show in account 2352.

2361—Money received from volunteers for national meetings but not yet forwarded to the national office should show in account 2361.

2362—Money received from volunteers for regional meetings but not yet forwarded to the region should show in account 2362.

2371—All Order of the Arrow transactions should show in account 2371.

2372—All transactions of the National Eagle Scout Association should be in account 2372.

Notes Payable (2400 Series)

All council short-term borrowing (less than one year) from either notes or mortgage notes should be checked, and the balance owed as of the end of the year should be reflected in accounts 2401 and 2451.

Deferred Income (2600 Series)

Deferred income, with one exception, consists of revenues that are for a future period. The exception is special events when there are contributions (2604) and related provision for uncollectibles (2674) and expenses (2654).

Activities Next Year (2629)
Camping Next Year (2630)
Other Income (2631)

Current Liabilities (2700 Series)

2741—If the council puts aside money for auto lease or repair expenses, the balance of unused funds should be reflected in 2741.

2741—If the council puts aside money for auto lease or repair expenses, the balance of unused funds should be reflected in 2741.

2761—If the council is collecting sales tax from customer transactions, the balance in account 2761 reflects all money owed to the state or city.

2764—If the council is responsible for collecting use taxes, the balance in account 2764 reflects all money owed to the state.
**Other Current Liabilities (2700 series) (continued)**

2782—All funds retrieved from inactive unit accounts at local financial institutions should be reflected in account 2782. All dollars shown in this account should be supported by a schedule showing the chartered organization from whom the money was received and the date and amount of the transfer. It should also show all disbursements and where the money was disbursed.

2783—If, for some reason, someone does not cash a regular or camp payroll check, the unclaimed wages should be moved to account 2783 for delivery at a later date.

2784—Garnishments not yet forwarded to the courts.

2785—Child support payments not yet forwarded to the courts.

2786—Scout bucks issued and not yet redeemed.

2787—Gift certificates issued and not yet redeemed.

2789—Other current liabilities.

**Long-Term Indebtedness (2800 series)**

All long-term borrowing (more than one year) by the council from either notes or mortgage notes should be checked, and the balance owed as of the end of the year should be reflected in accounts 2801 and 2851.

All these adjustments should be made in December before the General Ledger is closed for the year.

*Continued on next page*
General Ledger Year-End Reports

Overview

After all adjustments have been made and all journals posted, run the following reports:

- Trial Balance
- Detailed Statement of Financial Position
- Detailed Statement of Operations
- Statement of Change in Net Assets
- Statement of Cash Flows

Examine these reports and make sure they show the correct deferred income and expense.

**Charter Renewal Financial Statement**—After all adjustments have been made, run this report.

**Warning:** RUN THIS REPORT BEFORE CLOSING GENERAL LEDGER.

Trial Balance Report

If the Trial Balance Report is out of balance, one of the following messages may appear:

- *Out of Balance on Interfund Loans* if the total of the 1600 accounts from all funds does not equal zero.
- *Out of Balance on Transfer Accounts* if the total of the 3900 accounts from all funds does not equal zero.
- *Fund or Funds Out of Balance* if the total debits and credits in the fund are not equal to zero.

Also printed at the bottom of the Trial Balance Report is a legend indicating the meaning of certain symbols that appear to the left of certain account numbers printed on the report. They are:

- *** indicating an invalid cost center
- ?? indicating an invalid account number
- ### indicating an invalid fund number
- &&& indicating an invalid usage code

Continued on next page
Unexpended Capital

In the Capital Fund, if you have purchased fixed assets from fund 2, you debited account 18XX for the proper asset account and credited cash. The other side of this transaction is a debit to account 3262 (unexpended capital funds) and a credit to account 3261 (investment in fixed assets).

After closing the year, the total of fixed assets minus depreciation (1800 series, excluding 1841—construction-in-progress) should be equal to 3201, investment in fixed assets, and accounts 3211 and 3221, where appropriate.

All other assets, liabilities, revenue, expenses, and related depreciation expenses (9500 series) should be equal to unexpended capital funds (accounts 3202 and 3212).

Run the Fixed Asset Reconciliation Report to see if you need to make corrections. From the main menu, select Process Transactions>Fixed Assets Register>Fixed Assets Reports>Fixed Assets Reconciliation.

Endowment Fund

In the Endowment Fund, there are potentially three classes of net assets and three kinds of net asset accounts. Classes of net assets are the following:

- Unrestricted
- Temporarily Restricted
- Permanently Restricted

After closing, all endowment fund gifts should be classified in the appropriate net asset account.

- 3301 Unrestricted original gift
- 3302 Unrestricted gains or losses
- 3303 Unrestricted investment earnings
- 3311 Temporarily restricted original gift
- 3311 Temporarily restricted gains or losses
- 3313 Temporarily restricted investment earnings
- 3321 Permanently restricted original gift
- 3322 Permanently restricted gains or losses
- 3323 Permanently restricted investment earning
- 3324 Permanently restricted original gifts—James E. West
- 3325 Permanently restricted original gifts—1910 Society

Continued on next page
General Ledger Year-End Reports, continued

Reclassification of Net Assets
For every reclassification of assets, there should always be a debit entry and a credit entry to two related accounts; for example, 3611 and 3601. There should never be a credit or debit to a reclassification account without a corresponding transaction in the 3600 accounts.

Reclassify the following accounts as follows:

- FOS (3611 and 3601) in January of each year.
- Project sales (3612 and 3602) in January of each year.
- Capital campaign (3613, 3603) as projects are completed.
- Legacies and bequests (3615, 3605) as restrictions are met.
- Foundations (3616, 3606) as restrictions are met.
- Other direct gifts (3617 and 3607) as restrictions are met.
- United Ways (3618 and 3608) on a monthly basis based on the United Way’s fiscal year.
- Other indirect gifts (3619 and 3609) as restrictions are met.
- Government fees and grants (3620 and 3610) as restrictions are met.

Reports
Once all corrections have been made, run the following reports prior to closing the year.

! Important: Save these reports for the auditor.

- Trial Balance for All Funds (you can export this report as a file that can be imported into auditing software such as Excel)
- Statement of Financial Position
- Statement of Change in Net Assets
- Statement of Cash Flows
- Statement of Functional Expenses
- Statement of Operations
- Charter Renewal Finance Statement—Must be run before closing
- Activities, Camps, and Special Events
- General Ledger for All Funds
- Working Trial Balance (for all funds using wide format) (can be exported for use by auditors)
- Any other helpful management statements

Save these reports in the 2010 year-end reports file. See Year-End Reports Folder on the ScoutNET support site for instructions on creating a folder in which to save the reports.
Close the Year in the General Ledger

**Close the Year**

Closing the 12th period automatically closes the year.

**To close the year:**

1. From the main general ledger menu, select *Month-End Closing*.
2. At the “Okay to close period ending 12/31/20xx?” prompt, type Y.
4. At the “Are you ready to close the current month?” prompt, type Y.
   At the “Are you ready to close the current year?” prompt, type Y.
5. When the monthly and yearly transmittal reports are printed, continue with the month/year-end closing process.

**Notes:**
The General Ledger should be closed as soon after the new year as possible. Some councils close as early as January 3, and the majority close by January 10. **Under no circumstances should the General Ledger be kept open past January 30.**

You do not have to wait to receive bank statements before closing. Any adjustment and restatement of the December statements can be completed after the books are closed.