

Reconciliation Guide



What is a bank reconciliation?
And why does it matter?

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What is a bank reconciliation?

Is it to see if you made any mistakes when you were entering transactions? Or is it because you want to make sure that the balance in your checkbook is the same as the balance in the bank?



The answer to both of these questions is yes. This is exactly what a bank reconciliation is – comparing your bank account with your checkbook register to ensure no mistakes were made. This is also known as balancing your checkbook.

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Why do you need to reconcile your account?

It's difficult to get an accurate picture of your overall financial condition if you don't make sure the bank and your records agree.

Reconciling your bank account also helps to prevent fraud. When the board can see that the bank balance agrees with the checkbook register, and that each check and deposit are accounted for, they can be assured that nobody is absconding with your group's hard earned money.

How do you reconcile your bank account?

It is really important to make sure that your check register (or MoneyMinder's bank register) and the bank account balances match. This is easiest if done on a monthly basis.

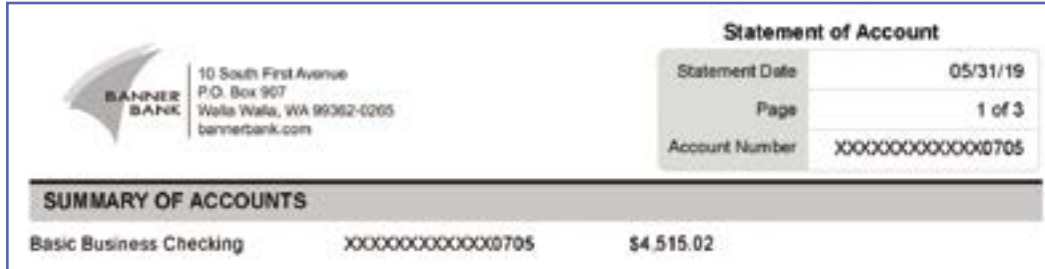
Step-by-step instructions:

Step 1: Locate your bank statement (from the bank) and your check/bank register that you've been keeping.

The bank statement tells you what the bank starting balance was at the beginning of the month, the deposits & withdrawals that cleared the bank during that time period, and the ending balance of the account on the close of the bank statement.

"Reconciling your bank account helps to prevent fraud."

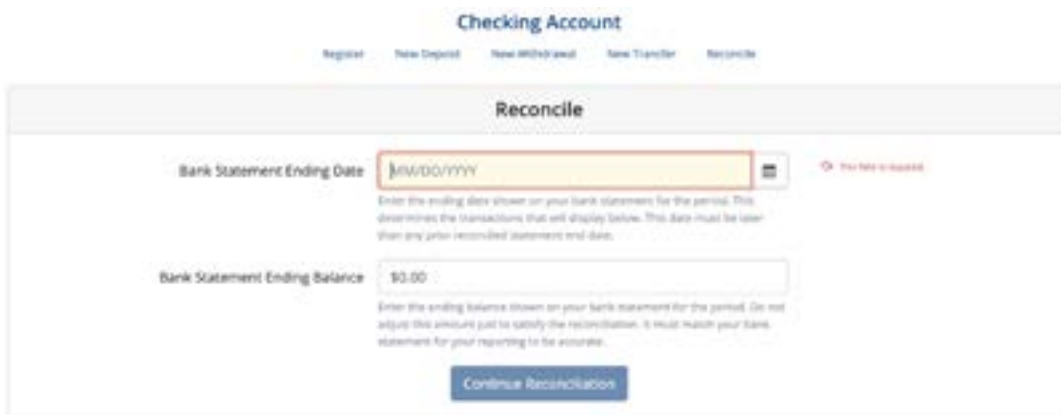
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The check register will show all the deposits and withdrawals that were made by your organization during that same time period.

There is one key difference between the bank statement and the check register. The bank statement only lists transactions (deposits & withdrawals) that the bank processed during that time frame. The check register lists all of your transactions during that same time period, regardless of if it has cleared the bank or not.

If you're using MoneyMinder, simply go to: **Banking > Reconcile > Begin Reconciliation** and walk through the following steps. It will look something like this:



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Step 2: This is where you compare each and every transaction with your bank statement. The idea is to account for all the deposits and withdrawals that you have recorded and that have also cleared the bank.

We suggest highlighting or checking off the entries that are common among the two. In MoneyMinder you can simply just check off the entries to mark them as cleared. Cleared means that the item has been recorded in both the group's records and the bank's records.

| Date | Reference | Details | Deposit | Cleared | Withdrawal | |
|------------|-----------|---------------|----------|---|------------|------|
| 11/06/2018 | 2423 | Jane Richards | | <input checked="" type="checkbox"/> Cleared | -\$150.00 | Edit |
| 03/02/2019 | 2405 | Kristie Smith | | <input checked="" type="checkbox"/> Cleared | -\$221.98 | Edit |
| 03/07/2019 | 2406 | David Jones | | <input checked="" type="checkbox"/> Cleared | -\$144.42 | Edit |
| 03/12/2019 | Deposit | | \$693.25 | <input checked="" type="checkbox"/> Cleared | | Edit |
| 03/23/2019 | 2407 | USPS | | <input type="checkbox"/> | -\$5.87 | Edit |

Step 3: Next, you'll want to make a list of any items that have been recorded in the check register but have not cleared the bank. Typically, an organization will have outstanding checks each month. Outstanding debits are checks and other withdrawals that have been recorded in your organization's bank register but have not yet cleared the bank. In other words, you know you wrote the check but the bank isn't aware of it yet.

"Typically, an organization will have outstanding checks each month."

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In MoneyMinder, these will be the items that you don't check off.

There may also be outstanding credits that need to be accounted for. Outstanding credits are deposits that have been recorded in your check register but do not yet appear on the bank's records. This often happens when you make a deposit on the last day of the month, but the bank doesn't process it until the first day of the next month.

Step 4: Now it's time to do the math. Any withdrawals (debits) that didn't get highlighted or checked off need to be deducted from the balance on the bank statement. Likewise, any deposits (credits) that didn't get highlighted or checked off will be added to the balance on the bank statement. In a perfect world, once this step is complete, the balance in the checkbook should match the bank statement balance.

What happens if these balances don't match? That's when your detective skills come into play. If the current balance in the checkbook does not match the bank statement balance, then you have to start looking for errors.



"Bank reconciliations should be performed monthly."

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The most common errors that occur are:

1. Transpositions
2. An unrecorded transaction (either a check or deposit)
3. Entering a transaction twice

You'll want to fix these to successfully complete your reconciliation.

The most important step:

The most important part of the reconciliation process happens after your check register matches your bank statement.

Remember those items that didn't clear the bank during the reconciliation process? Those uncleared items need to be reviewed. Why are they there?

For example, if your register shows a deposit that didn't clear why is that? If it was deposited on the last day of the month, it's probably OK. But if it was recorded early in the month and never cleared the bank you need to find out why. Was it recorded twice in your register? Did it never make it to the bank?

Likewise you'll want to look at any uncleared withdrawals. Have these items been entered twice in your register? Or are you dealing with a very old check that is unlikely to clear the bank at all? If so, you'll need to review those and deal with them.

If these uncleared items are due to error in entry they will affect the accuracy of your financial report.

Sample Budget

Budget Name: Sample Budget

Budget Start Date: July 1, 2019

| | Budgeted In (Income) | Budgeted Out (Expenses) | Net (Difference) |
|-----------------------|-------------------------|----------------------------|---------------------|
| Fundraising | | | |
| Fall Fundraiser | \$ 6,000 | \$ 3,000 | \$ 3,000 |
| Auction | \$ 12,000 | \$ 2,000 | \$ 10,000 |
| Spring Fundraiser | \$ 4,000 | \$ 2,000 | \$ 2,000 |
| Total | \$ 22,000 | \$ 7,000 | \$ 15,000 |
| Curriculum | | | |
| Assemblies, Programs | \$ 0 | \$ 1,000 | - \$ 1000 |
| Math/Science Olympiad | \$ 0 | \$ 600 | - \$ 600 |
| Total | \$ 0 | \$ 1,600 | - \$ 1,600 |
| Administration | | | |
| Postage | \$ 0 | \$ 250 | - \$ 250 |
| PO Box Rental | \$ 0 | \$ 55 | - \$ 55 |
| Photocopying | \$ 0 | \$ 120 | - \$ 120 |
| Insurance | \$ 0 | \$ 350 | - \$ 350 |
| Treasurer Software | \$ 0 | \$ 160 | - \$ 160 |
| Total | \$ 0 | \$ 935 | - \$ 935 |
| Grand Total | \$ 22,000 | \$ 9,535 | \$ 12,465 |



How is MoneyMinder Different?

For a small non-profit, QuickBooks can be overkill. But spreadsheets can contain hidden formula errors too easy to overlook. One is too big, one is too risky. Then there's MoneyMinder, accurate but not cumbersome, it's just right.

Put your organization on the right path

Check out our suite of products:

www.MoneyMinder.com

(866) 346-4300



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