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Bank Reconciliation

Reconciling the bank statements is a very important part of the accounting/bookkeeping process. Monthly, quarterly, or yearly financial reports should **never** be presented to the church board until **all** bank accounts have been reconciled in your PowerChurch Software.

In this newsletter, we will be going through the bank reconciliation process in PowerChurch. I will be sharing some helpful tricks I use to make the bank reconciliation easier and even fun!

As long as you reconcile the bank statements manually, is it ok to not reconcile them in PowerChurch? The answer is a definite NO!

When you are printing the financial reports, you give to the church board out of your PowerChurch Accounting Software, reconciling the bank statements within that same accounting software is a **crucial** part of preparing your financial reports. Why?

- ▶ You will know that all checks, deposits, service charges, and interest earned, etc. are included your financial reports. In other words, all entries connected to each bank account were entered and posted correctly in PowerChurch.
 - We have worked with many church bookkeepers who did not realize the importance of the bank reconciliation process. By the time the church bookkeeper came to us for help, considerable time was needed to get their financial records in order.
- ▶ If you have only reconciled your bank statements manually, you cannot know your financial reports are reflecting the correct balance in your banking accounts or your income and expense reports.
 - If the bank balance is not correct in PowerChurch, then 99% of the time there are also errors in the reported income and expense lines.
- ▶ Again, the bank reconciliation process is a **crucial** part of preparing your financial reports.

Reconciling bank accounts in PowerChurch can be a relatively easy process. Using a good and consistent routine in the reconciliation process is the key to making the bank reconciliation accurate.

Are you ready? Below is the process we use to reconcile bank statements in PowerChurch.

Reconciling Bank Accounts in PowerChurch

- A. Look at your bank statement. Is there any interest earned or are there service charges that you know have not yet been entered in PowerChurch? Go ahead and make those entries.
 1. Interest earned - Debit your bank account
Credit an income such as "Bank Interest"
 2. Service charges - Credit your bank account
Debit an expense such as "Bank Fees"
 3. Note: Your bank statement will show the debits and credits opposite of the debits and credits in PowerChurch. Why? The bank's debits and credits are *their* side of the books. The PowerChurch debits and credits are *your* side of the books. That is why they are opposite. Don't let that throw you! Just remember that if an amount is a debit on the bank statement, it will be a credit in PowerChurch. If the amount is a credit on the bank statement, it will be a debit in PowerChurch.
- B. Print the *unreconciled* check register from PowerChurch.
 1. Choose a date range that will include every amount that has not yet been reconciled thru the end of the month you are reconciling.
 - In this case, we are reconciling January 2016 and *Dates from 12/01/2015 to 01/31/2016* will catch all that has not yet been reconciled.
 - After you print the check register, check the last page to make sure there is no note at the bottom of the report stating you have unreconciled items previous to the date range chosen for your report.
 2. You will be using this report as a working paper to help you reconcile your bank.
 3. To print this check register, click on:
Accounting > Fund Accounting > Reports Fund Accounting > Check Register

Report Options

Major account number: 1110

Dates from: 12/01/2015 to: 01/31/2016

Include: Reconciled Unreconciled All

Include unposted transactions

Sort options: Check Date

OK Cancel

Sample Church
Check Register
Unreconciled, Account 1110, 12/01/2015-01/31/2016

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Reference	Recon	Date	Description	Deposits	Checks
			Beginning Balance	104,928.60	
5875	N	12/27/2015	Petterson's Lawn Care		75.00
5876	N	12/27/2015	Quill		123.43
5877	N	12/27/2015	Julie Smith		57.26
5880	N	01/04/2016	Bill Wright		150.00
5881	N	01/04/2016	Berean Bookstore		16.33
5882	N	01/04/2016	City News		70.00
5883	N	01/11/2016	City Water	12/28/15 billing	124.33
5884	N	01/11/2016	YMCA	gym rental	100.00
5885	N	01/11/2016	Ameren	12/24/15 billing	524.77
5886	N	01/11/2016	Kramer Music	piano tuning	99.00
5887	N	01/11/2016	Kroger	coffee, filters	15.54
5888	N	01/15/2016	P. Amen-Pay Check	Payroll - P. Amen	676.90
5889	N	01/15/2016	S. Chosen-Pay Check	Payroll - S. Chosen	517.16
5890	N	01/15/2016	J. Faithful-Pay Check	Payroll - J. Faithful	1,304.18
5891	N	01/15/2016	L. Joy-Pay Check	Payroll - L. Joy	664.92
5892	N	01/15/2016	A. Saint-Pay Check	Payroll - A. Saint	353.23
5893	N	01/18/2016	Kroger	snacks for meeting	9.48
5894	N	01/18/2016	Quill	misc office supplies	64.36
5895	N	01/18/2016	World Missions	Dec 2015	2,000.00
5896	N	01/25/2016	Christian Curriculum	Jan - Mar curriculum	587.52
5897	N	01/25/2016	Walmart	props for lesson	14.36
5898	N	01/25/2016	Verizon	1/15 billing	120.40
5899	N	01/25/2016	Peterson's Lawn Care	salt on sidewalks	75.00
5900	N	01/29/2016	P. Amen-Pay Check	Payroll - P. Amen	676.90
5901	N	01/29/2016	S. Chosen-Pay Check	Payroll - S. Chosen	517.16
5902	N	01/29/2016	J. Faithful-Pay Check	Payroll - J. Faithful	1,304.18
5903	N	01/29/2016	L. Joy-Pay Check	Payroll - L. Joy	664.92
5904	N	01/29/2016	A. Saint-Pay Check	Payroll - A. Saint	412.11
CONTRIB.	N	01/03/2016	Contributions 1/3/16	3,575.43	
CONTRIB.	N	01/10/2016	Contributions 1/10/16	4,475.43	
CONTRIB.	N	01/17/2016	Contributions 1/17/16	4,527.87	

C. Place the check register beside your bank statement. You will need a highlighter pen – yellow is suggested.

1. Find an item and amount on your bank statement, then find the same item and amount on your check register.
 2. Highlight them both.
 3. Your goal is to match every debit and credit item on your bank statement with an opposite debit and credit on your check register.
 4. If you have items on your bank statement that you have not highlighted:
 - There may be entries that need to be made in PowerChurch
 - It may also be possible you have made the entries but not posted them, or have coded them incorrectly
 - Note: If any additional entries are made, you will need to hand write them on your check register so they can be highlighted if needed to match with the bank statement.
- D. Once you have highlighted all the matching debit and credit items on the bank statement to your check register:
1. Look at all the items on your check register that were not highlighted.
 - Do they make sense as being truly outstanding?
 - If for example, you have a contribution from the beginning of the month you are reconciling that is not highlighted, you need to find out why that deposit did not make it to the bank.
 - If you have a check that is still outstanding and is dated from 2 or more months ago, we suggest you contact the person to whom the check was made. They may have lost the check or just forgotten they had it. Don't let old outstanding checks hang around.
 - Don't let any old outstanding amount hang around. If any item is old and unreconciled, investigate to determine the proper action needed to be able to reconcile that item.
- E. Once you are confident your highlighted check register is complete, you are ready to reconcile your bank statement in PowerChurch. Click on:
Accounting > Fund Accounting > Reconcile Bank/Credit Card Accounts
- F. Choose the *Account to reconcile*. Clicking on the magnifying glass will give you a list from which to choose.
1. Enter the ending bank balance – not the beginning balance.
 2. Click *next*.

Reconcile Bank/Credit Card Accounts

Account to reconcile: 1110

Statement date: 01/31/2016

Balance per statement: 58868.27

Sort by: Ref./Check No. Date sequence

Include: Unreconciled All data

Next Cancel

- G. Every item you had highlighted on your check register needs to be cleared on the PowerChurch bank reconciliation screen. To clear an item:
1. Click on the line that needs to be cleared
 - Note – the debits are in the top section and credits are in the bottom section.
 2. The line will now be highlighted.
 3. Press the enter key on your keyboard to clear the line. Notice there is a “C” to the left of that line.
 4. To un-clear a line, click on a line and press enter again to un-clear the line.
 5. Your goal is have 0.00 in *To Balance*. If you are not getting the amount of 0.00:
 - **DO NOT** click *Done*
 - Instead, compare the items on the bank reconciliation screen and your check register to see if you can determine the reason for the imbalance.
 - If you need to exit the bank reconciliation screen before you have a *To balance* of 0.00. Click on: *Postpone*.
 - When you come back into the bank reconciliation later, your work has been saved. Once the *To balance* amount is 0.00, click *Done*.
 - **Note: DO NOT click to Done until To Balance is 0.00.**

Reconcile Bank/Credit Card Accounts

Statement date: Only show items dated before statement date

Deposits and Other Additions

Reference /	Date	Amount	Description
C CONTRIB.	01/03/2016	3575.43	Contributions 1/3/16
C CONTRIB.	01/10/2016	4475.43	Contributions 1/10/16
C CONTRIB.	01/17/2016	4527.87	Contributions 1/17/16
C CONTRIB.	01/24/2016	4596.75	Contributions 1/24/16
CONTRIB.	01/31/2016	3964.25	Contributions 1/31/16

Checks and Other Subtractions Press the space bar or the enter key to toggle the reconciled status.

Reference /	Date	Amount	Description
C 5875	12/27/2015	75.00	Petterson's Lawn Care
C 5876	12/27/2015	123.43	Quill
C 5877	12/27/2015	57.26	Julie Smith
C 5880	01/04/2016	150.00	Bill Wright
C 5881	01/04/2016	16.33	Berean Bookstore
C 5882	01/04/2016	70.00	City News
C 5883	01/11/2016	124.33	City Water
C 5884	01/11/2016	100.00	YMCA
C 5885	01/11/2016	524.77	Ameren
C 5886	01/11/2016	99.00	Kramer Music
C 5887	01/11/2016	15.54	Kroger
C 5888	01/15/2016	676.90	P. Amen-Pay Check
C 5889	01/15/2016	517.16	S. Chosen-Pay Check

Statement balance:	58,868.27	Items you have cleared:	
5 - Outstanding checks:	3,575.27	24 Checks and subtractions:	7,748.43
1 + Outstanding deposits:	3,964.25	4 Deposits and additions:	17,175.48
Adjusted balance:	59,257.25		
Account 1110 balance:	59,257.25		
To balance:	0.00		

H. After clicking *Done*, you will see the following screen. Click on *Print Report* to print the bank reconciliation report.

Reconcile Bank/Credit Card Accounts

Run the Reconciliation Report to print the results of the reconciliation process.

Print Report

View Report

Don't Run Report

Sample Church			
Reconciliation of Account 1110 General Fund			
02/20/2016 12:21 PM	Statement Date 01/31/2016		Page: 1
		Statement balance	58,868.27
		- Outstanding checks	3,575.27
		+ Outstanding deposits	3,964.25
		= Adjusted balance	59,257.25
		Account 1110 balance	59,257.25
		Difference	0.00
Reference	Date	Description	Amount
Deposits and other additions cleared			
CONTRIB.	1/3/2016	Contributions 1/3/16	3,575.43
CONTRIB.	1/10/2016	Contributions 1/10/16	4,475.43
CONTRIB.	1/17/2016	Contributions 1/17/16	4,527.87
CONTRIB.	1/24/2016	Contributions 1/24/16	4,596.75
4 Deposits and other additions cleared			17,175.48
Checks and other subtractions cleared			
5875	12/27/2015	Petterson's Lawn Care	75.00
5876	12/27/2015	Quill	123.43
5877	12/27/2015	Julie Smith	57.26
5880	1/4/2016	Bill Wright	150.00
5881	1/4/2016	Berean Bookstore	16.33
5882	1/4/2016	City News	70.00
5883	1/11/2016	City Water	124.33
5884	1/11/2016	YMCA	100.00
5885	1/11/2016	Ameren	524.77
5886	1/11/2016	Kramer Music	99.00
5887	1/11/2016	Kroger	15.54
5888	1/15/2016	P. Amen-Pay Check	676.90

- I. Always take the extra step of reviewing the section of this report that shows the unreconciled deposits and checks. Make sure items in this list are truly unreconciled items that will show on a future bank statement.

SERVICE CHARGE	1/31/2016	monthly service charge	5.26
24 Checks and other subtractions cleared			7,748.43
Outstanding deposits and other additions dated before 1/31/2016			
CONTRIB.	1/31/2016	Contributions 1/31/16	3,964.25
1 Outstanding deposits and other additions dated before 1/31/2016			3,964.25
Outstanding checks and other subtractions dated before 1/31/2016			
5900	1/29/2016	P. Amen-Pay Check	676.90
5901	1/29/2016	S. Chosen-Pay Check	517.16
5902	1/29/2016	J. Faithful-Pay Check	1,304.18
5903	1/29/2016	L. Joy-Pay Check	664.92
5904	1/29/2016	A. Saint-Pay Check	412.11
5 Outstanding checks and other subtractions dated before 1/31/2016			3,575.27

Congratulations, you have reconciled your bank statement with PowerChurch! We suggest you staple the following together:

1. On top of the stack of papers is the bank reconciliation report printed from PowerChurch
2. Next is the bank statement from the bank
3. Last is the highlighted check register used as your work paper
4. This gives a very nice hard copy backup to your bank reconciliation work

Repeat the process for any bank account your church has. This includes:

- Savings accounts
- PayPal account
- CDs
- Investments

As always, if you need any help with your PowerChurch Software you are more than welcome to contact us at Summit Tax & Accounting, PLLC. We provide support all over the country. We are here to help you!

If you know of anyone to whom we can be of service, please let us know or feel free to share our website and contact information with them.

This newsletter contains information about churches and tax matters. This information is general in nature and does not consider your organization’s specific circumstances. This information should not be treated as an alternative to taxation advice from an appropriately qualified professional. If you have specific questions, please consult Summit Tax & Accounting, PLLC at 217-877-6766 for advice tailored to your needs.