

## How to Reconcile a Bank Statement

One of the treasurer's most important jobs is to reconcile bank statements. It may sound overwhelming at first, but reconciling a bank statement is simply comparing what is in the club's accounting records with the transactions in the bank statement.

The ending balance on the bank statement is rarely the same number you will find in your accounting records. There are many reasons for this. For example, you may have written a check to a vendor and the vendor may not have cashed the check before the end of the month. In this case, the club's records will show a lower balance than the statement. Another common reconciling item is bank fees. Often, the bank will assess fees if your club doesn't meet minimum balance requirements or if there are returned checks during the month. In this case, the club balance will reflect a higher balance than the bank. There will also be occasions when there are errors on the club's accounting records and there are also times that the bank will commit an error. Finding the "correct" balance between the two is the point of the reconciliation.

When reconciling a statement, it is best to use an Excel spreadsheet or the spreadsheet feature of Google Docs, or a template. For your convenience, we've created one here. [Insert Link.](#)

Start with the ending balance on the bank statement. Next, check off the deposits on the accounting records against the deposits on the bank statement. List any deposits you show on the club's books that have not yet cleared the bank. These are called "deposits in transit". Keep in mind that in modern banking, deposits are rarely in transit more than a day or two: a deposit in your accounting records mid-month will rarely be in transit by the statement date.

Next, compare expenses on your books against expenses on the statement. These are called "outstanding expenses". Again, electronic funds transfers (EFTs), debit card purchases and online purchases will process almost immediately. It is somewhat rare to have legitimate outstanding expenses, except for occasional expenses made on the last day or two of the month. List outstanding expenses below deposits in transit.

Now you will want to compare checks issued in your records against checks cashed at the bank. This is an area where you may find quite a few discrepancies. Sometimes people hold on to checks for a long time before cashing. It's also not uncommon for individuals to disregard nonprofit checks, turning them into a "donation" to the charity. If you find checks that are more than a couple of months old, you will want to call the recipients to find out if they've forgotten, lost the check, or just don't intend to cash the check. List the checks that are uncleared as of the statement date below your outstanding expenses.

Now, take the bank ending balance, add the deposits in transit, subtract the outstanding expenses and subtract the uncleared checks.

If this number equals the balance in your accounting records, congratulations, you are done. If it does not, there are a few more steps to go.

In the steps above, you addressed all items in your records that were not on the bank statement. But what about items on the bank statement not in your accounting records? These usually are bank fees not yet recorded, or other transactions that slipped through the cracks of your recording procedures.

Since you diligently checked off items on the statement against the items in your records, unchecked statement items will be easy to identify. Anything left “unchecked” on either the bank statement or the books is an error on either your books or with the bank and you will need to investigate each instance to determine whether the bank must make an adjustment or whether you must make an adjustment.

Here it is simplified:

Ending Bank Balance  
Add deposits in transit  
Subtract outstanding expenses  
Subtract uncleared checks  
= Ending Book Balance

Make any adjustments in your books for assessed bank fees or bookkeeping errors and contact the bank with any banking errors.

If you have an accounting system such as Quickbooks, reconciling is done automatically. This can dramatically reduce your reconciling time. However, you still have to investigate uncleared items to make sure they are not artificially misrepresenting your true bank balance.

#### **Important Takeaways**

- *Reconciling bank statements is one of the Treasurer’s most important jobs.*
- *Knowing the bank balance is key to managing cash flow.*
- *Finding errors quickly and making adjustments will simplify record-keeping and keep your records up-to-date.*