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Prepare For and Streamline the Year-End Close Process

January 19, 2023



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Learning Objectives

At the end of the session, you will be able to:

- Recall the 1099 process and what's new for 2022/2023
- Identify what is most important during year-end close and what can wait
- Discuss finalizing the 2023 budget based on year-end actuals
- Recognize how technology can streamline the year-end process



Agenda

- Preparing for 1099 Season – what's new, what's the same
- Ensuring a successful year-end close
- Finalizing the 2023 budget
- Recognizing how technology can streamline the year-end process





Preparing for 1099 Season

Jordan Smith, CPA – Principal

What is an IRS 1099 Form?

Form 1099 is a tax form used to prepare and file information of various types of income other than wages, salaries, and tips. It notifies the IRS of payments made to vendors.



There is more than one 1099 form!

- 1099-MISC: Miscellaneous Income
- 1099- NEC: Non-employee Compensation
- 1099-INT: Interest Income
- 1099-DIV: Dividends and Distributions
- 1099-C: Cancellation of Debt
- 1099-R: Distribution from Pensions, Annuities, Retirement Plans, IRAs, or Insurance Contracts
- 1099-S: Proceeds from Real Estate Transactions
- 1099-G: Government Payments
- 1099-LTC: Long Term Care Benefits
- Others: CAP, OID, PATR, SA, 1042-S, SSA-1099, 1098-T



Examples of Reportable Payments



- Entities must file 1099's if they have paid:
 - \$10 or more in royalties or dividends
 - \$600 or more in:
 - Rents
 - Office space
 - Parking space
 - Equipment
 - Non-employee compensation (services)
 - Advertising
 - Custodial/maintenance
 - Professional fees
 - Appraisers
 - Remember that Medical, healthcare payments and attorney's fees must be reported on 1099 even if they are a corporation



FORM 1099 NEC

- Non-Employee Compensation – historically reported in box 7 of 1099 MISC and was changed to 1099 NEC in 2021
- 1099 NEC reports independent contractor payments
 - Fees
 - Commissions
 - Other forms of compensation for services



1099 MISC

- 1099-Miscellaneous (Income)
- Most frequently used to report rent paid (Box 1)
- Issued for the following item
 - Rents
 - Prizes and Awards
 - Medical and health care payments
 - Payments to an Attorney
 - Crop insurance proceeds
 - Fishing boat proceeds



Examples of Non-Reportable Payments

Do **not** issue 1099's for:

Payments to employees
(e.g., fringe benefits, travel
reimbursements, bonuses,
spiff, etc.)

Products/Inventory

Workmen's compensation

Storage

Utilities

Payments to governmental
agencies

Corporations (exception –
medical/healthcare
payments)

Debt payments

Any payments to contractors by
credit card, debit card, gift card, or
a third-party network like PayPal,
you must exclude those amounts
from your 1099-MISC forms.



Common Errors

- Reporting payments to an attorney in the gross proceeds paid and not in the attorney box
- Reporting NEC payments in box 3 on the 1099-MISC
- Reporting rent on the 1099-NEC
- Including reimbursement of expenses as income

errors



Who doesn't need a 1099?

- Corporation and LLCs that operates as a S-Corp or C-Corp **Except when it comes to paying for legal services & medical services**
- Foreign Contractors -

As long as the foreign contractor is not a U.S. person and the services are wholly performed outside the U.S., Form 1099 is not required, and no withholding is required.

By signing Form W-8BEN, the foreign contractor is certifying that he or she is not a U.S. person.





Why are 1099 forms so important?

We don't want our clients to get penalized.

Each incorrect or missed 1099 can cost \$50 or more. The IRS uses 1099 filings to verify income reported and ensure all taxable income is accounted for.



What is needed to issue a 1099?

Getting a Jumpstart on 1099s

Confirm all W9s
are received

Update your
vendor
information
based on W9
received

Review listing of
payments made
to date

Confirm how
you will file
(paper, 1099
etc, client
software)

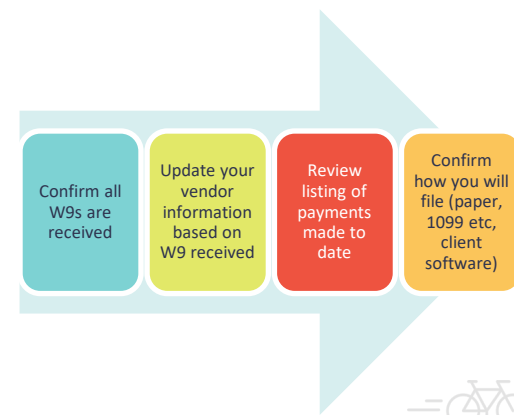


Provides the identifying number for the vendor

- Certification that Taxpayer Identification Number is correct and not subject to backup withholding or exempt

Review of Payments Made

- Run check register (**1099s are on a calendar year, cash basis**)
 - Review vendor payments against vendor information
- Analyzing for 1099 reportable payments
 - Amounts over \$600
 - Vendor is Sole Proprietor, LLC, partnership
 - Law firms (all payments)
 - SSNs instead of FEINs
 - Healthcare
 - Prizes



No TIN for vendor?

- Backup withholding is required for payments to persons or entities who have:
 - Not furnished a valid TIN
 - The IRS notified you that the TIN you reported is incorrect
- Withholding is flat 24%
- Begins when aggregate payments for the calendar year reach \$600
- Begins immediately if the payee was subject to backup withholding in the prior year
- Don't use generic payee numbers like 999-99-9999 if the client does not have the information for their vendor



2022 Filing Timeline

Due Dates to File

2022 Returns Information

Form	Recipient Due Date	IRS Due Date (Paper Filing)	IRS Due Date (Electronic Filing)
1099-NEC	1/31/23	1/31/23	1/31/23
1099-MISC (No data in Box 8 or 10)	1/31/23	2/28/23	3/31/23
1099-MISC (With data in Box 8 or 10)	2/15/23	2/28/23	3/31/23





Prioritizing Year-end Close Items and Finalizing the 2023 Budget

Keith Davidson, CPA - Principal

What is the year-end close and why is it important?

What?

The process of classifying, reconciling, reviewing, and verifying that all financial transactions and impacts from the fiscal year are reflected in the company's ledgers.

Why?

The year-end close is the basis of the annual financial statements and analyzing and forecasting company operations.



Preparing for a successful year-end

#1

Prepare a close schedule with target dates – year-end starts in the fall

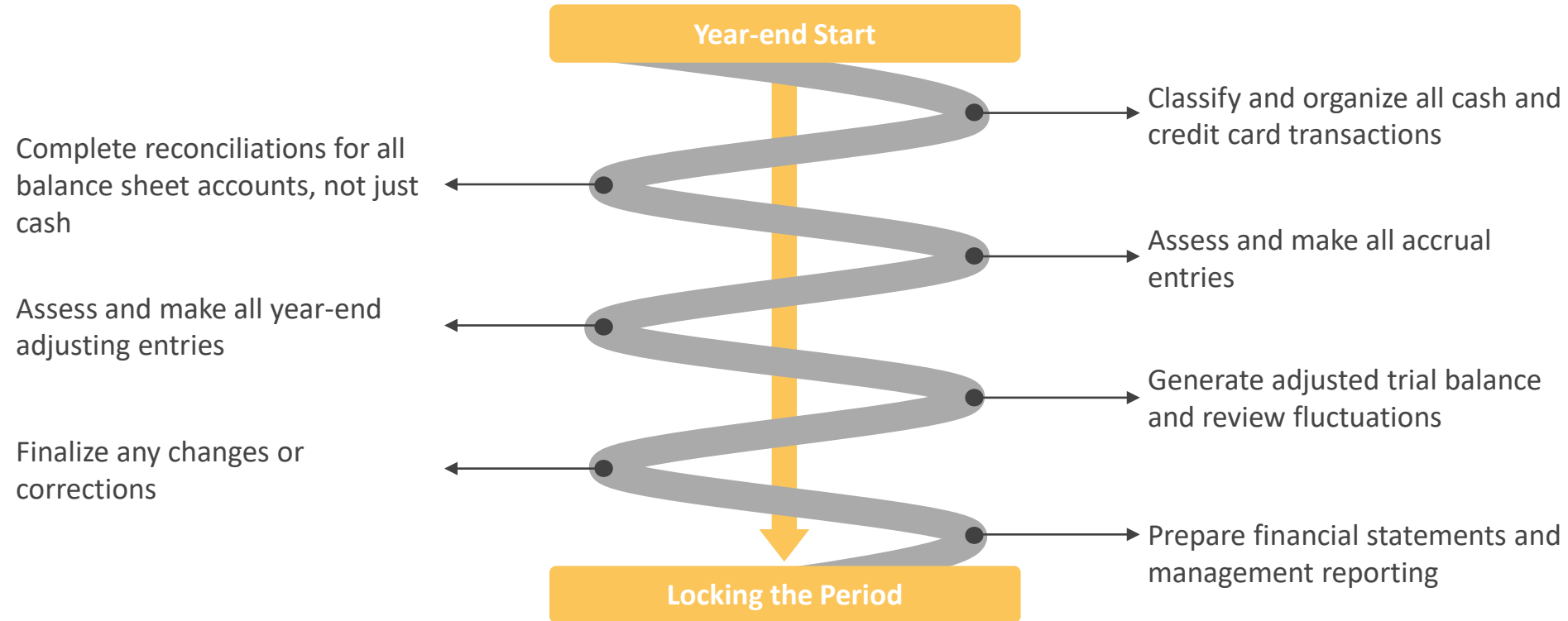
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Schedule inventory and fixed asset physical counts

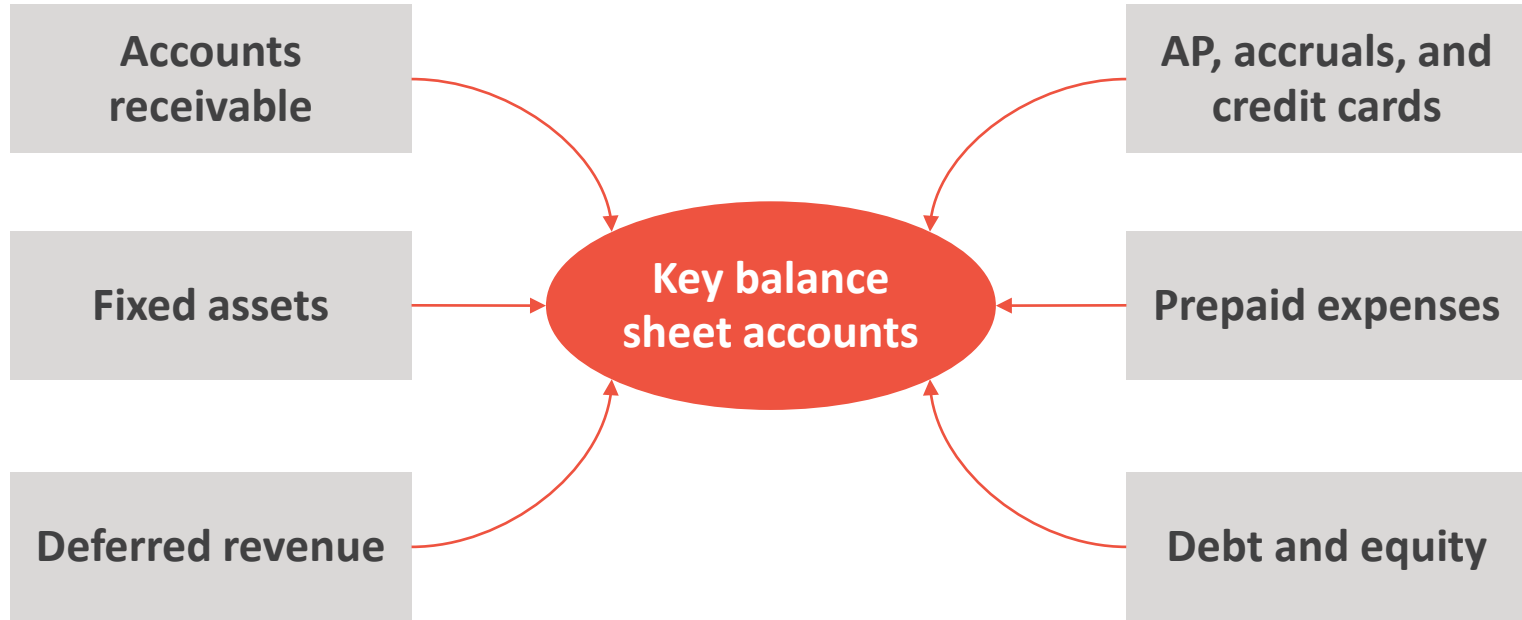
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Understand key changes – e.g. new debt agreements, new revenue streams/rev rec impacts, etc.

The year-end close process



Balance sheet reconciliations



Bank reconciliations get the most attention, but all balance sheet accounts should have a reconciliation that details balance sheet changes along with supporting documentation.



Year-end is done, now what?

- Perform management and board reporting – what, when, how, and why
- Finalize year-end targets and incentives – e.g. sales team, annual bonus, etc.
- Deliver year-end financials and related materials to your tax team
- Prepare for external audit, if applicable
- Incorporate into 2023 budget



Key steps in finalizing your 2023 budget

- Incorporate final year-end actuals into your base
- Decide if year-end actuals have changed your growth assumptions, both revenue and costs



- Review market data for any last-minute changes
- True-up hiring and spending plans (you already know most of January)
- Prepare analysis and reporting along with year-end actuals



How Technology Can Help

Ashley Hunt - Principal

What is Digital Transformation?

The modernization of infrastructure systems and processes that enable organizations to better achieve their missions, inspire employees, and increase customer satisfaction.



Why Companies Need Digital Finance Transformation

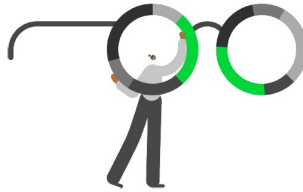
Digital finance transformation leverages the power of cloud computing to accelerate and enhance your company's:



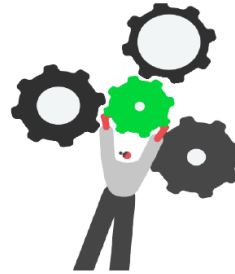
Automation



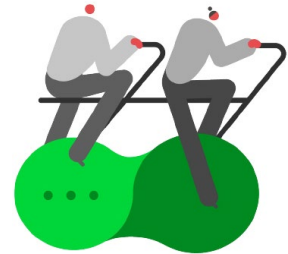
Reporting



Visibility



Connectivity



Collaboration

In other words, transformation helps finance leaders unlock the power of real-time data and automation, so they can become more strategic in their analysis, planning, and decision making.



Automation That Transforms



Stay lean with automated workflows

Automation is the engine of digital finance transformation:

When we talk with finance leaders, they want to gain value through their technology investment. In some cases, that means reducing cost; others need to expand without adding headcount, and still others want to reduce the time it takes to close the books. Whatever your goals, automation allows you to deliver higher value by using your time and talents in a more strategic way.

When asked where automation could offer the greatest benefit, finance leaders selected outcome and performance tracking, reporting, month-end close, and consolidations. These are critical areas in which a cloud financial management solution creates significant transformation opportunities.



Reporting That Transforms



Reporting is the first stop on the road to transformation



40% of finance teams are frustrated by manual reporting.

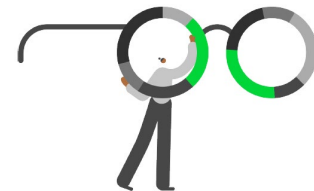
25-40 Hours

25-40 hours per month on reporting.

Modern, best-in-class cloud financial management solutions not only provide automated reporting with point and click filtering, but also deliver real-time insight for better decision making. By transforming your reporting, automation can enable a lot of the time spent in manual reporting to instead be spent analyzing trends and applying insights strategically to drive your mission.



Visibility That Transforms



Proactive companies leverage real-time visibility

Results of a lack of real-time visibility:

Delayed Decision Making

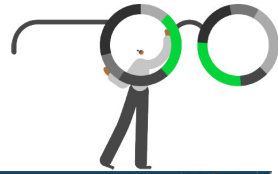
Increased Risk

Missed Opportunities

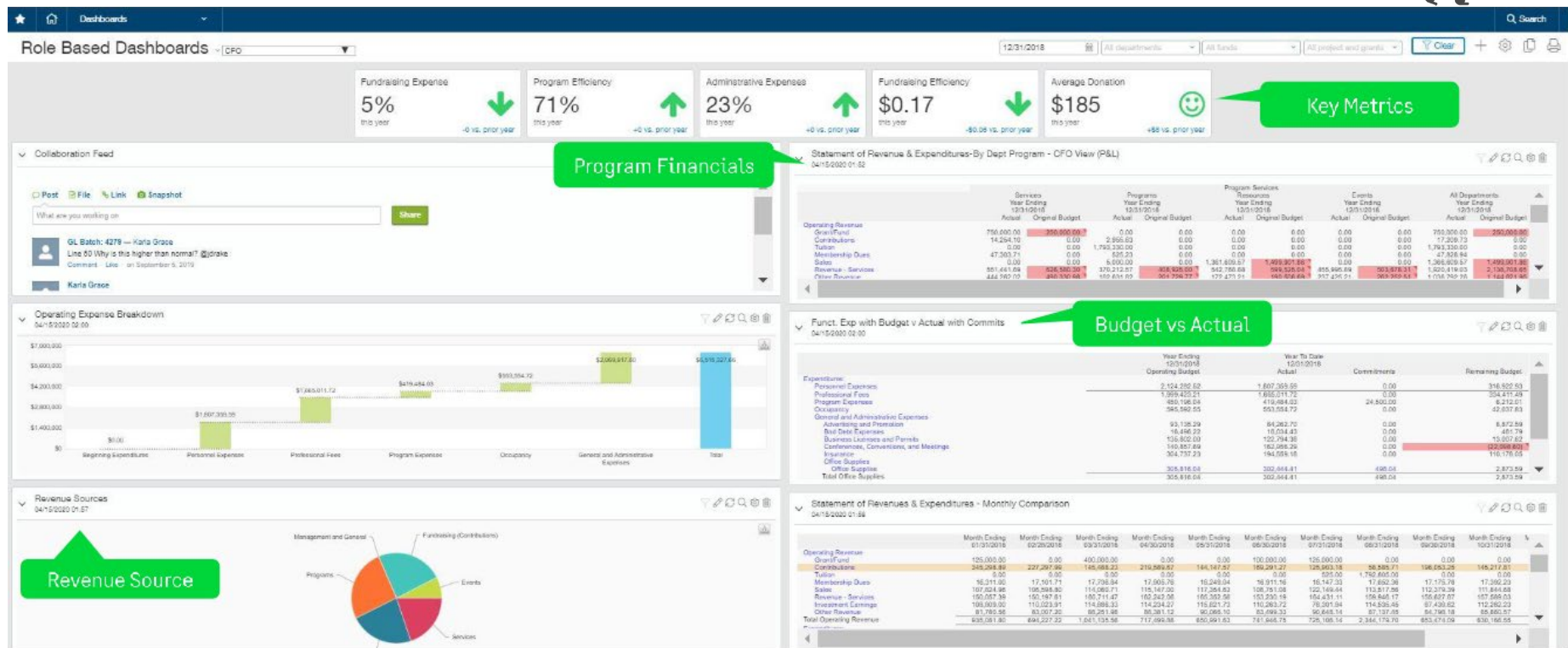
Outcomes, performance, and impact matters. All key stakeholders need access to real-time performance metrics to guide their decisions. Transforming finance means gaining the ability to see key performance indicators—both financial metrics and outcome metrics—in real-time. The ability to analyze real-time data and KPIs helps tell your story to your stakeholders.



Instant visibility that's updated in real-time



The ability to analyze real-time data and KPIs helps finance leaders tell their story.



Connectivity That Transforms

Integration shifts decision making into high gear

Data silos hamper visibility and impede decision making.



72%

72% of companies said that managing multiple systems and technology silos is challenging.

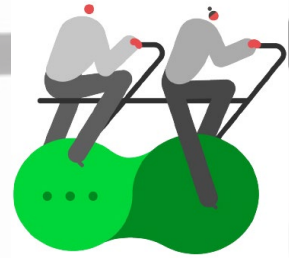
Older technologies lack the “open architecture” for easy integration between financial, billing, CRM, and other systems. Without data connectivity, growth is painful. Pulling together timely and accurate reporting is difficult to impossible.

Improving connectivity removes gaps in visibility, leading to better stewardship. Integration automates data exchange, eliminating the need for duplicate work and generating higher productivity. Sage Intacct connects easily to other best-in-class applications through a robust partner marketplace to help you bring the best applications for your organization together.



Collaboration That Transforms

You destination is greater impact through collaboration



Ultimately, the goal of digital finance transformation is to work better together to deliver higher value.

When different teams within your company share a common understanding of the data underlying your mission impact, it increases accountability. Sharing your financial performance and outcomes data with stakeholders improves transparency and trust.

Digital finance transformation should include functionality and processes to improve communication between the finance team and the board, managers, stakeholders, and auditors. Features like audit trails, notes, and messaging within your financial management solution keep everyone on the same page and foster intentional communication and collaboration.



Streamline the Year-End Close Process with Digital Finance Transformation



Automation

- Cloud Based Financial Management Solution (ie. Sage Intacct)
 - Bank Reconciliation
 - Inventory
 - Deferred Revenue
 - Fixed Assets
 - Prepaids
 - 1099s
- FloQast



Reporting

- Cloud Based Financial Management Solution (ie. Sage Intacct)
 - Consolidations
 - Reporting Packages
 - Sage Intacct Planning
- Budgeting Solutions
 - Adaptive Insights
 - Vena
 - Martus



Visibility

- Cloud Based Financial Management Solution (ie. Sage Intacct)
 - Real-Time Dashboards
 - SaaS Metrics
- Power BI



Connectivity

- Cloud Based Financial Management Solution (ie. Sage Intacct)
 - Open API
 - Pre-Built third-party integrations
- CLA Digital
- DataBlend



Collaboration

- Cloud Based Financial Management Solution (ie. Sage Intacct)
 - Built in collaboration tools
 - Audit & Compliance Dashboards

Digital Finance Transformation Journey

- Tech Stack Assessment
- Business Processes Assessment
- System Evaluations
- System RFP/Demos
- System Implementations
- System Integrations



The right advisor smooths the road to finance transformation success

Keith Davidson
keith.Davidson@claconnect.com

Ashley Hunt
ashley.hunt@claconnect.com

Jordan Smith
jordan.smith@claconnect.com



CLAconnect.com



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