Month-End Accruals

ACCOUNTING DEPARTMENT

ACCOUNTING

VERSION	EFFECTIVE	REVIEWED
1.0	February 2026	February 2026

POLICY

Barkan requires month-end accruals to ensure that financial statements accurately reflect expenses incurred during the reporting period, even when invoices have not yet been received or processed. This policy defines what should be accrued, who is responsible for requesting and approving accruals, and how requests should be submitted.

What is an Accrual

An accrual is a journal entry that records an expense in the period it was incurred, rather than the period in which it is paid. Accruals are booked at month-end when a service has been performed or a cost has been incurred but the invoice has not yet been received or entered into the accounting system. There are two types of accruals: (1) Monthly reversing accruals, which are reversed in the following month when the actual invoice is received and processed, and (2) Standing accruals, such as utility accruals and payroll accruals, which remain on the books year-round and are adjusted as part of year-end reporting.

Where Accruals Originate

Accruals originate from two sources

1. Property Manager Requests. During the preliminary financial review, the Property Manager identifies expenses that were incurred during the month but not yet invoiced or entered. The manager submits these to the Property Accountant as accrual requests. Managers should only request accruals for items that meet the criteria defined in this policy.
2. Accountant-Initiated Accruals. Property Accountants may book recurring accruals based on historical data or prior-month actuals without a specific manager request, when a reasonable estimate is available and the expense is expected.
    a. Annual Accruals. Some accruals, including Payroll, Utilities, and Retainage as examples, are established once per year at fiscal year-end and remain on the books until they are adjusted at the subsequent year-end. These accruals should not be re-booked or adjusted mid-year. The only exception is when the current month's utility

invoice has not been received and posted in the appropriate reporting period, in which case a monthly accrual may be recorded to ensure proper period reporting.

What to Accrue

Managers should request accruals only for the following

- Contract and Recurring Service Amounts. Any service performed under a standing contract where the invoice has not been received. Examples: landscaping, elevator maintenance, pest control, trash/recycling, security, cleaning. Use the known contract amount.
- Significant Charges Over $500. Any individual non-contract charge exceeding $500 that relates to the reporting period. Examples: one-time repairs, capital project invoices, professional services, large supply orders. Managers do not need to request accruals for routine charges of $500 or less. These are generally considered immaterial and do not need to be accrued.

Submitting Accrual Requests

Who submits: The Property Manager submits accrual requests to the Property Accountant during the preliminary financial review period, by the deadline specified by the accountant. Who decides what is included: The Property Accountant makes the final determination on which accruals are booked. The accountant is responsible for evaluating materiality, confirming GL accuracy, and ensuring the accrual is appropriate for the property. If a manager's request does not meet the criteria in this policy, the accountant may decline to book it. Who to escalate to: Any questions, disputes, or unusual accrual requests should be escalated to the Accounting Team Lead. Exceptions to the $500 threshold or standard accrual categories require approval from the Accounting Team Lead or the Chief Financial Officer.

How to Submit Accrual Requests

When responding to the preliminary financial package, the Property Manager should list each accrual request with the following information:

- GL Account Number
- Vendor Name
- Dollar Amount
- Brief Description Example: 6525.000 – Casella – $4,010.62 – December trash/recycling Accrual requests should be submitted as part of the manager's response to the preliminary report. Requests received after the accountant's deadline may not be included in the final financial package.

Workflow Summary

1. Property Accountant issues the preliminary financial package to the Property Manager.
2. Property Manager reviews the preliminary report and submits any reclassifications and accrual requests to the Property Accountant by the stated deadline.
3. Property Accountant reviews all requests, determines materiality, confirms GL coding, and books approved accruals.
4. Property Accountant publishes the finalized financial package by the contractual due date.
5. Property Accountant reverses monthly accruals in the following month when actual invoices are received and processed. Standing accruals (e.g., utilities, payroll) remain on the books and are adjusted at year-end.

Materiality

The $500 threshold is a general guideline. Property Accountants should exercise professional judgment and consider the overall size and budget of the property when evaluating materiality. A $400 charge may be material for a small condominium association but immaterial for a large apartment community. When in doubt, accrue.