

Getting Started – Accounting

Accounting Basics

Organization

A chart of accounts usually applies to a single organization, such as a church or non-profit organization. In accounting terms, the organization is called an accounting entity.

Money Management

Accounts are kept in terms of money and the only math involved is addition and subtraction. Only items that can be stated in terms of money are recorded.

Balance Sheet

The balance sheet is the foundation of everything related to accounting and shows the financial position of the organization on a specific date. The balance sheet is based on the Accounting Equation and has two sides: the left side for assets and the right side for liabilities and funds. Income and expense transactions affect the balance sheet accounts.

BALANCE SHEET	
Assets	Liabilities
	Fund

Accounting Equation:

$$\text{Assets} = \text{Liabilities} + \text{Funds}$$

The sum of the organization's assets equal the sum of the liabilities plus the sum of the funds.

All transactions can be stated in terms of their effect on the three account types of the accounting equation.

Transaction

A business transaction is an occurrence of an action or condition that must be recorded in monetary terms. Example: The church receives an offering and therefore it is income to the church. The utility bill is paid and therefore it is an expense to the church.

Accounts

Accounts track transaction activity related to a defined item. Accounts are user-defined with the goal of increasing the understanding of changes in income and expenses and the resulting consequences to assets, liabilities, and funds. Example: Offering Income tracks the accumulated amount of offerings received during a selected time period; Pastor Salary tracks the accumulated amount of wages paid to the pastor during a selected time period.

Account Types

Five types of accounts are used in the accounting process:

- **Assets** – resources owned by the organization expressed in money terms. Example: Money in a checking account; real property like building and land.
- **Liabilities** – debts or claims of parties other than the organization that must be paid or distributed (i.e., creditors who maintain rights to some asset of the organization).
- **Funds** – track the net balance of the assets of the organization. Often the organization will create multiple fund accounts to track the monetary balances for specific purposes. For example: General Fund; Building Fund; Missions Fund.
- **Income** – the revenue received from various sources by the organization. Income accounts are associated with a fund.
- **Expenses** – the costs paid for a service or disbursements made by the organization. Expense accounts are associated with a fund

Fund Balance Accounts

In non-profit fund accounting, fund balance accounts are used to track the net balance of the assets of the organization in separate accounts to ensure proper use of the monies. Fund Balance accounts are Balance Sheet accounts and they are reported on the Balance Sheet report.

Each Fund Balance account will have both income and expense accounts associated with it; this association is created when entering income and expense accounts into the chart of accounts. The monetary value of the Fund Balance account is normally changed by an income or expense transaction. A transaction involving an income account increases the fund balance account; a transaction involving an expense account normally decreases the fund balance account. The net change between these income and expense transactions results in either an increase or decrease of the Fund Balance account.

Income and Expense Relationship to the Accounting Equation

The net difference between the Income (revenue) and Expense (costs) either increases or decreases the Fund balance.

If INCOME exceeds EXPENSES then the FUND BALANCE = INCREASES

If EXPENSES exceed INCOME then the FUND BALANCE = DECREASES

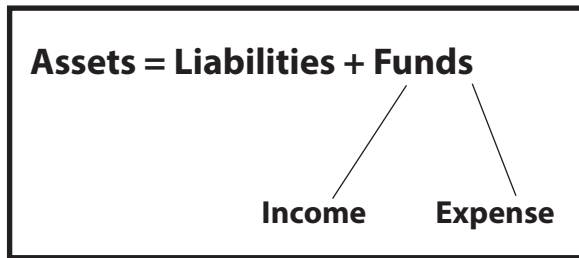
This increase or decrease to the Fund Balance calculates automatically in CDM+ with each transaction and adjusts the total in the Fund Balance appropriately. Every transaction that includes an income or expense account affects the associated Fund Balance total. The difference between income and expenses is reported on the Income and Expenditures reports as an Over/Under amount (Increased/Decreased amount). The difference affects both the Fund Balance and Asset accounts on the Balance Sheet.

Double Entry

The double entry principle is based on each accounting transaction affecting at least two accounts, which results in a balance of the accounting equation. The change in the two accounts is represented by a “debit” and a “credit.” The double entry recording system of accounting requires the debits and credits of each transaction to be equal. If debits and credits DO NOT equal for a transaction, something is wrong. Remember for each Transaction :

Debits = Credits

The charts below are basic to fund accounting:



Double Entry Ledger

	Debit	Credit
Assets	+	-
Liabilities	-	+
Funds	-	+
Income	-	+
Expenses	+	-

In double-entry accounting, Debits and Credits must equal on every transaction. Example:

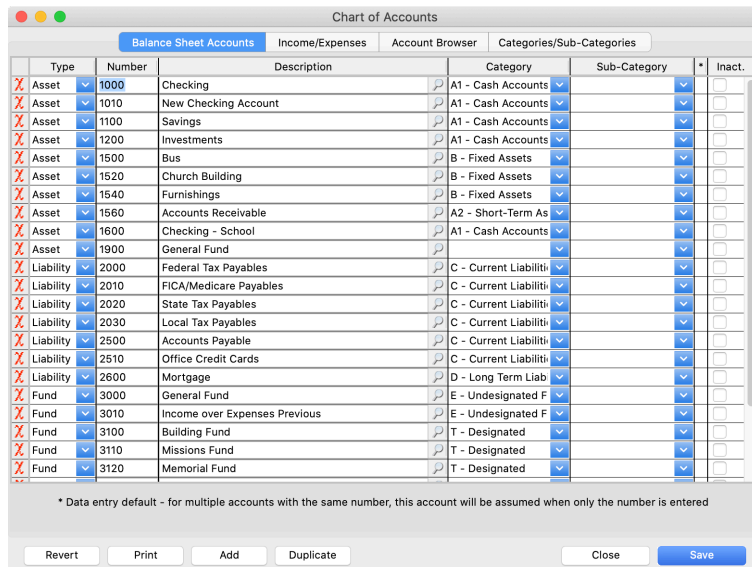
Transaction	Debit	Credit
Check or Expense	Expense account	Checking (Asset) account
Deposit	Checking (Asset) account	Income account
Asset to Asset Transfer	Asset the money goes into	Asset the money goes out of
Fund to Fund Transfer	Fund the money goes out of	Fund the money goes into

Accounting Setup

Chart of Accounts

►Program ►Accounting ►Chart of Accounts

A custom designed Chart of Accounts is set up here to meet the unique needs of the organization.



Create Chart of Accounts

- Work in this order:
 - Categories and Sub-categories
 - Balance Sheet Accounts
 - Income/Expenses
- To add an Account, click Add and complete the Type, Number, and Description; choose a Category.
- Common Account numbers groupings:
 - Assets - 1000's
 - Liabilities - 2000's
 - Funds - 3000's
 - Income - 4000's
 - Expense - 5000's up

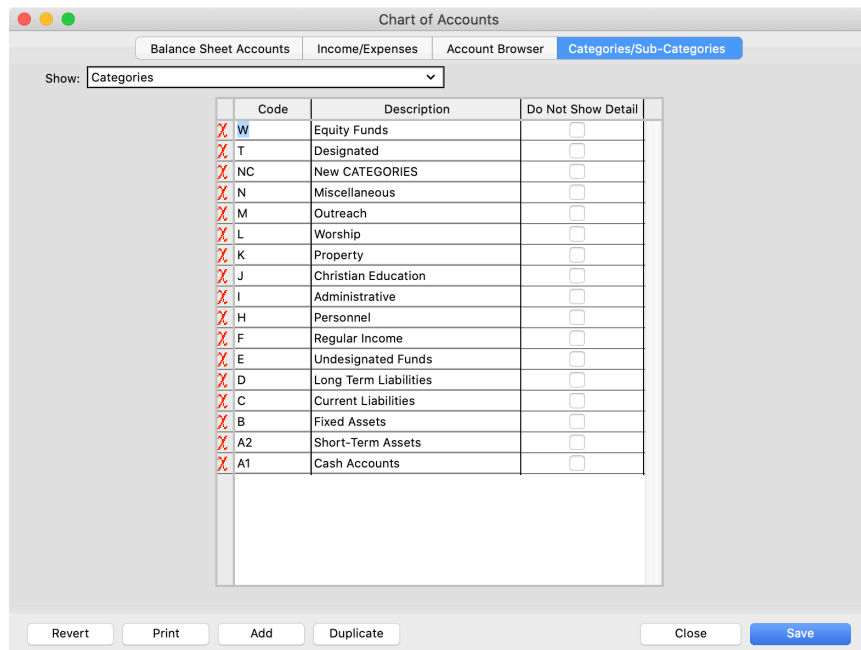
Once an account has activity to it, you cannot delete the account. Instead, mark the account as **Inactive**, which will prevent that account from being used on new entries.

Categories/Sub-categories

Reached from the Chart of Accounts window by clicking on Categories/Sub-categories tab.

Categories and Sub-Categories perform three major functions:

1. Group accounts together under the Category or Sub-Category
2. Structure report design by the order of Categories and Sub-Categories
3. Sub-total amounts on reports by Categories and Sub-Categories



Structure the design of the Balance Sheet (A/L/F) by use of Categories.

Example #1: **Account Type** **Asset**
 Category Code A Current Assets
 B Fixed Assets

Example #2: **Account Type** **Fund**
 Category Code E Undesignated Fund
 Account 3000 General Fund
 Category Code T Temporarily Restricted
 3100 Building Fund
 3110 Memorial Funds
 Category Code U Permanently Restricted Funds
 3200 Endowment Fund
 Category Code W Equity Funds
 3900 Church Building & Land

Structure the design of Income/Expense reports by use of Categories and Sub-Categories:

Example #3: **Account Type** **Expense**
 Category Code K Property
 Sub-Category Code K25 Utilities; K30 Maintenance & Repair
 Category Code N Personnel

Use Categories/Sub-Categories for areas of ministry, departments, or committee responsibility.

When printing financial reports, such as Ledger to date "Monthly Comparisons" or "Ledger to Budget," the print order of the accounts are grouped by:

- Asset Type
- Category Code
- Sub-Category Code
- Account Number

Hide/Show Details on Ledger YTD Reports

Click on "Do Not Show Detail" checkbox. This will suppress by default the printing on reports of the accounts within that Category or Sub-Category. There is an option to override this default when printing.

Sample Chart of Accounts

Asset			
	A - Cash Accounts		
		1000	General Fund Checking
		1050	Capital Reserve Checking
		1100	Savings
		1200	Investments
		1400	Accounts Receivable
	B - Fixed Assets		
		1500	Church Building
		1510	Furnishings, Fixtures & Equipment
		1520	Parsonage
		1530	Trailers
		1540	Vans
		1550	Bus
Liability			
	C - Current Liabilities		
		2000	Federal Tax Payables
		2010	FICA/Medicare Payables
		2020	State Tax Payables
		2030	Local Tax Payables
		2040	403B Pension Fund
		2500	Accounts Payable
		2550	Pass Through Account
		2560	Chase Credit Card
	D - Long Term Liabilities		
		2600	Mortgage
Fund			
	E - Undesignated Funds		
		3000	General Fund
	T - Designated Funds		
		3100	Building Fund
		3110	Missions Fund
		3120	Memorial Fund
		3130	Day Care
		3200	Special Fund (In & Out)
		3250	Next Step Fund
		3300	Adult Ministries
		3400	Family Ministries
	W - Equity Funds		
		3500	Building Equity Fund
		3510	Furnishings Equity Fund
		3520	Parsonage Equity Fund
		3530	Trailer Equity Fund
		3540	Van Equity Fund
General Fund			
Income			
	F - Regular Income		

	40000	Tithes & Offerings - Worship Services
	40001	Tithes & Offerings - Office
	40002	Tithes & Offerings - Online Giving
	40010	Loose Offering
	40900	Miscellaneous Income
G - Designated Income		
	40510	Interest Income
	40511	Wedding
	40520	Soda Machine
K - Property		
K-40 Office		
	40500	Copy and Postage Reimbursement
Expense		
H - Adult Ministries		
<Accounts Without Sub-Categories>		
	50000	Senior Minister Salary
	50010	Senior Minister Housing
	50020	Senior Minister Car Allowance
	50400	Travel Expenses
	50450	Housing
	50800	Pension
	50900	Church's FICA/Medicare Portion
I - Administrative		
	51100	Office Supplies
	51200	Office Equipment
	51300	Telephone
K - Property		
	51900	General Maintenance
	52000	Insurance
	52100	Custodial Supplies
	52200	Gas for Van
	52500	Gas - Heat
	52600	Electricity
	52700	Water and Sewer
	53500	Miscellaneous Expenses
	53550	Building Repairs
L - Outreach		
	52800	Communion Supplies
	52900	Bulletins
	53000	Special Guest Speakers
	53100	Special Services
M - Worship		
	53200	Denominational Support
	53300	World Hunger Project
	53400	Local Outreach Ministries
N - Personnel		
N-10 - Human Resources		
	50300	Secretary Salary
	50310	Custodian Salary
O - Designated Expense		
	52300	Mortgage Principal
	52400	Mortgage Interest
	7900	Electronic Banking Fees
P- Feast Day Expense		
	82100	Easter Offering Expense
	82200	Pentecost Offering Expense
	82400	Christmas Offering Expense
	82450	New Year Offering
Q - Youth Development		
	53551	Miscellaneous Expenses

Balance Sheet Accounts

► Program ► Accounting ► Chart of Accounts ► Balance Sheet Accounts tab

Type	Number	Description	Category	Sub-Category	Inact.
Asset	1000	Checking	A1 - Cash Accounts		<input type="checkbox"/>
Asset	1010	New Checking Account	A1 - Cash Accounts		<input type="checkbox"/>
Asset	1100	Savings	A1 - Cash Accounts		<input type="checkbox"/>
Asset	1200	Investments	A1 - Cash Accounts		<input type="checkbox"/>
Asset	1500	Bus	B - Fixed Assets		<input type="checkbox"/>
Asset	1520	Church Building	B - Fixed Assets		<input type="checkbox"/>
Asset	1540	Furnishings	B - Fixed Assets		<input type="checkbox"/>
Asset	1560	Accounts Receivable	A2 - Short-Term As		<input type="checkbox"/>
Asset	1600	Checking - School	A1 - Cash Accounts		<input type="checkbox"/>
Asset	1900	General Fund			<input type="checkbox"/>
Liability	2000	Federal Tax Payables	C - Current Liabiliti		<input type="checkbox"/>
Liability	2010	FICA/Medicare Payables	C - Current Liabiliti		<input type="checkbox"/>
Liability	2020	State Tax Payables	C - Current Liabiliti		<input type="checkbox"/>
Liability	2030	Local Tax Payables	C - Current Liabiliti		<input type="checkbox"/>
Liability	2500	Accounts Payable	C - Current Liabiliti		<input type="checkbox"/>
Liability	2510	Office Credit Cards	C - Current Liabiliti		<input type="checkbox"/>
Liability	2600	Mortgage	D - Long Term Liab		<input type="checkbox"/>
Fund	3000	General Fund	E - Undesignated F		<input type="checkbox"/>
Fund	3010	Income over Expenses Previous	E - Undesignated F		<input type="checkbox"/>
Fund	3100	Building Fund	T - Designated		<input type="checkbox"/>
Fund	3110	Missions Fund	T - Designated		<input type="checkbox"/>
Fund	3120	Memorial Fund	T - Designated		<input type="checkbox"/>

* Data entry default - for multiple accounts with the same number, this account will be assumed when only the number is entered

Enter Asset, Liabilities, and Fund accounts here. To add an account, click Add and complete the Type, Number, and Description; choose a Category; click Save.

Income/Expenses

► Program ► Accounting ► Chart of Accounts ► Income/Expenses tab

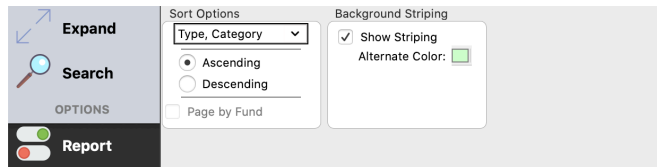
Type	Number	Description	Fund Balance	Category	Sub-Category	Inact.
Income	4000	Sunday Worship Offering	3000 - General Fui	F - Regular Income		<input type="checkbox"/>
Income	4010	Loose Offering	3000 - General Fui	F - Regular Income		<input type="checkbox"/>
Income	4020	Sunday School Offering	3000 - General Fui	F - Regular Income		<input type="checkbox"/>
Income	4090	Miscellaneous Income	3000 - General Fui	F - Regular Income		<input type="checkbox"/>
Income	4100	Building Fund Income	3100 - Building Fui	T - Designated		<input type="checkbox"/>
Income	4110	Missions Fund Offering	3110 - Missions Fu	T - Designated		<input type="checkbox"/>
Income	4120	Memorial Fund Income	3120 - Memorial Fi	T - Designated		<input type="checkbox"/>
Income	4200	Special Fund Income	3200 - Special Fur	T - Designated		<input type="checkbox"/>
Income	4210	Easter Offering	3200 - Special Fur	T - Designated		<input type="checkbox"/>
Income	4220	Pentecost Offering	3200 - Special Fur	T - Designated		<input type="checkbox"/>
Income	4230	Thanksgiving Offering	3200 - Special Fur	T - Designated		<input type="checkbox"/>
Income	4240	Christmas Offering	3200 - Special Fur	T - Designated		<input type="checkbox"/>
Income	4350	Day Care Income	3130 - Day Care	N - Miscellaneous		<input type="checkbox"/>
Income	4400	Event Registrations	3000 - General Fui	J - Christian Educa		<input type="checkbox"/>
Income	4500	Capitol Campaign	3100 - Building Fui	T - Designated		<input type="checkbox"/>
Expense	5000	Senior Minister Salary	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5020	Secretary Salary	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5030	Custodian Salary	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5035	Nursery Attendant	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5040	Travel Expenses	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5045	Housing	3000 - General Fui	H - Personnel		<input type="checkbox"/>
Expense	5050	Convention Expense	3000 - General Fui	H - Personnel		<input type="checkbox"/>

* Data entry default - for multiple accounts with the same number, this account will be assumed when only the number is entered

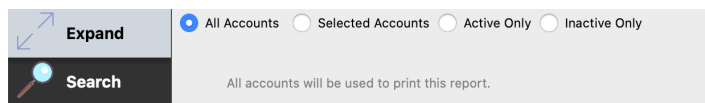
Enter Income and Expense accounts here. To add accounts, click Add and complete the Type, Number, and Description; choose a Fund and Category; click Save. All Income and Expense accounts must be associated with the appropriate Fund.

Chart of Accounts Report

► Reports ► Accounting Reports ► Chart of Accounts



Sort options include: View by Fund, Category, or Sub-Category

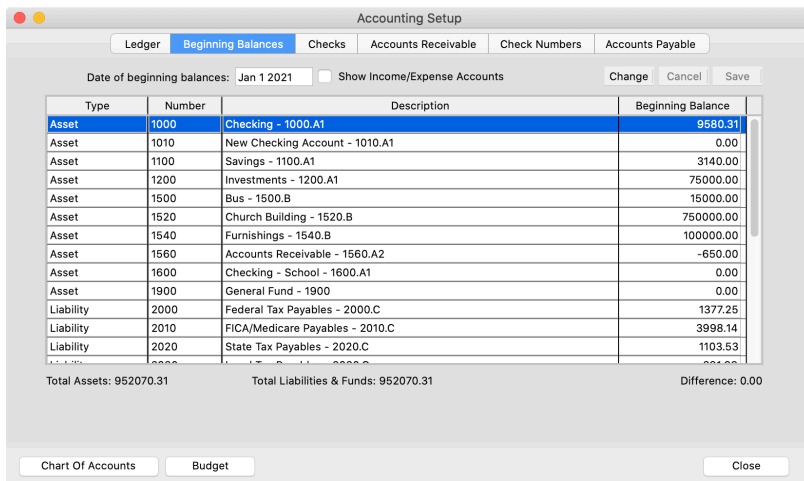


There are several different options to filter your results: All Accounts, Selected Accounts, Active Only, or Inactive Only.

Accounting Setup Options

Beginning Balances

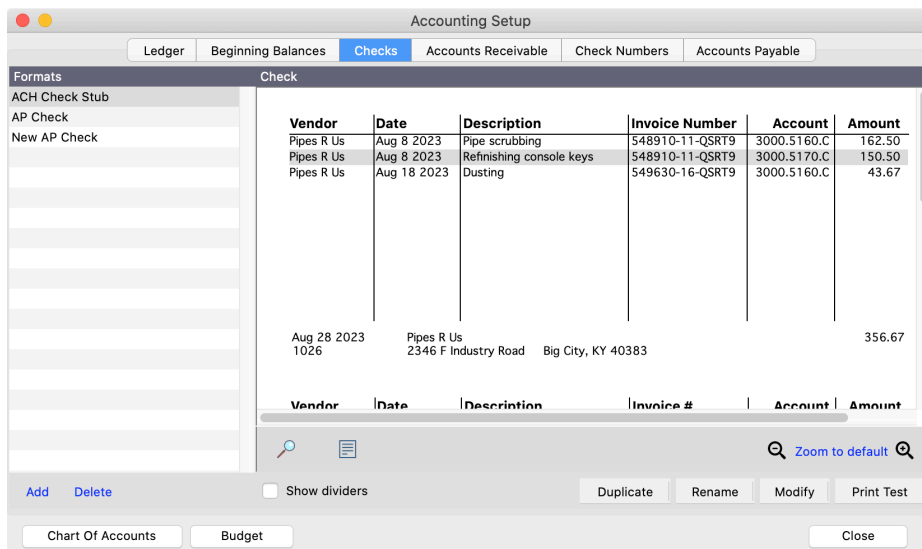
► Program ► Accounting ► Accounting Setup ► Beginning Balances tab



Enter the Date of Beginning Balances (ex. January 1, 2016). Click the Change button and enter beginning balances for all Assets, Liabilities, and Funds. When complete the "Difference of" should be 0.00.

Checks

► Accounting ► Accounting Setup ► Checks tab



Set up layout formats for checks used by Ledger and Accounts Payable.

Accounts Receivable

►Program ►Accounting ►Accounting Setup ►Accounts Receivable

Set defaults for using Accounts Receivable.

The screenshot shows the 'Accounting Setup' window with the 'Accounts Receivable' tab selected. The window has a title bar with three colored dots (red, yellow, green) on the left. Below the title bar is a navigation bar with tabs: 'Ledger', 'Beginning Balances', 'Checks', 'Accounts Receivable' (highlighted in blue), 'Check Numbers', and 'Accounts Payable'. The main area contains the following settings:

- Service Charge for Overdue Invoices: 0.01 Percent
- Post Service Charges to Account: 4090 *Miscellaneous Income - 3000.4090.F*
- Accrual Account: 1560 *Accounts Receivable - 1560.A2*
- Invoice Defaults:**
 - Print 'Terms' Line
 - Print 'Service Charge' Line
- Customer Defaults:**
 - Terms Line: Invoice Due Upon Receipt
 - Service Charge After: 30 Days

At the bottom right of the main area are buttons for 'Change', 'Cancel', and 'Save'. At the bottom of the window are buttons for 'Chart Of Accounts', 'Budget', and 'Close'.

Check Numbers

►Program ►Accounting ►Accounting Setup ►Check Numbers tab

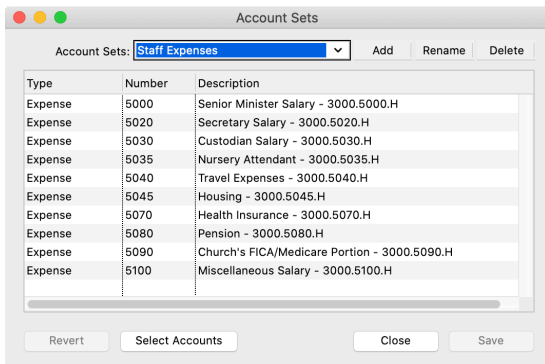
Check Numbers tab lists all the Assets in the Chart of Accounts. Enter the **last** check number used for applicable Asset accounts. CDM+ will then use the next check number available for the starting check number in Accounts Payable, Ledger, or Payroll.

The screenshot shows the 'Accounting Setup' window with the 'Check Numbers' tab selected. The window has a title bar with three colored dots (red, yellow, green) on the left. Below the title bar is a navigation bar with tabs: 'Ledger', 'Beginning Balances', 'Checks', 'Accounts Receivable', 'Check Numbers' (highlighted in blue), and 'Accounts Payable'. The main area contains a table with the following data:

Account #	Description	Last Used
1000	Checking	auto
1010	New Checking Account	
1100	Savings	0
1200	Investments	0
1500	Bus	0
1520	Church Building	172
1540	Furnishings	0
1560	Accounts Receivable	0
1600	Checking - School	
1900	General Fund	

At the top right of the table area are buttons for 'Change', 'Cancel', and 'Save'. At the bottom of the window are buttons for 'Chart Of Accounts', 'Budget', and 'Close'.

Accounts Sets



Account Sets are a user-defined selection of accounts used for reporting purposes that are saved under a set name (Save Set), and will be retained by using the Load Set option when configuring reports.

Account Browser

The Account Browser is accessed by clicking on button on the Account Sets, "Select Accounts".

Account Browser allows for the quick selection of accounts by Type, Fund, Category, and Sub-Category; making selection of accounts to include on reports easy and accurate.

Account Range allows for selection of a range of accounts by Account Number, Fund, Category, or Sub-Category.

