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:

Assets = Liabilities + 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:

Assets = Liabilities + Funds
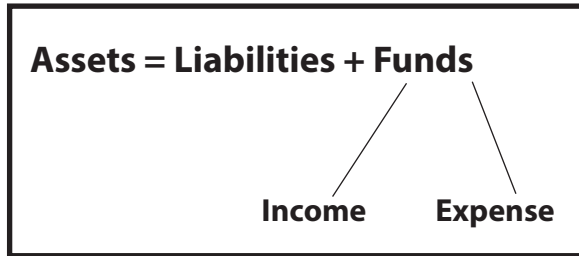
Income   Expense

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.

* Data entry default – for multiple accounts with the same number, this account will be assumed when only the number is entered
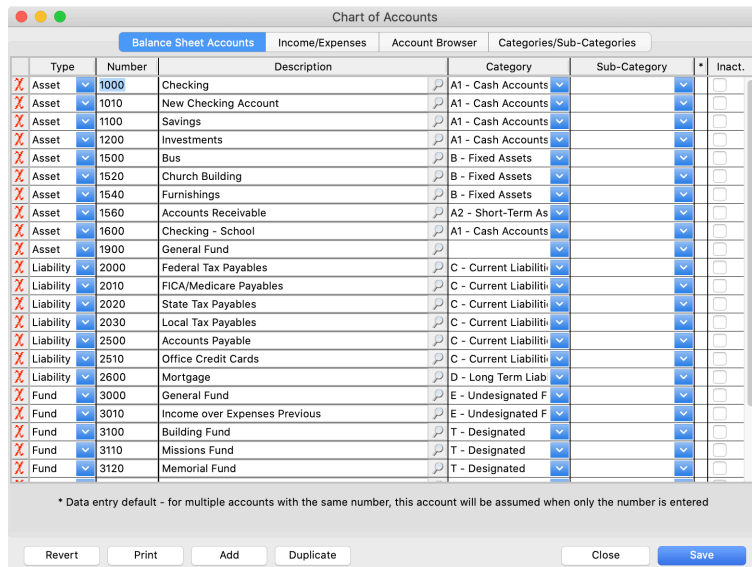
Create Chart of Accounts

1. Work in this order:
   • Categories and Sub-categories
   • Balance Sheet Accounts
   • Income/Expenses

2. To add an Account, click Add and complete the Type, Number, and Description; choose a Category.

3. 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
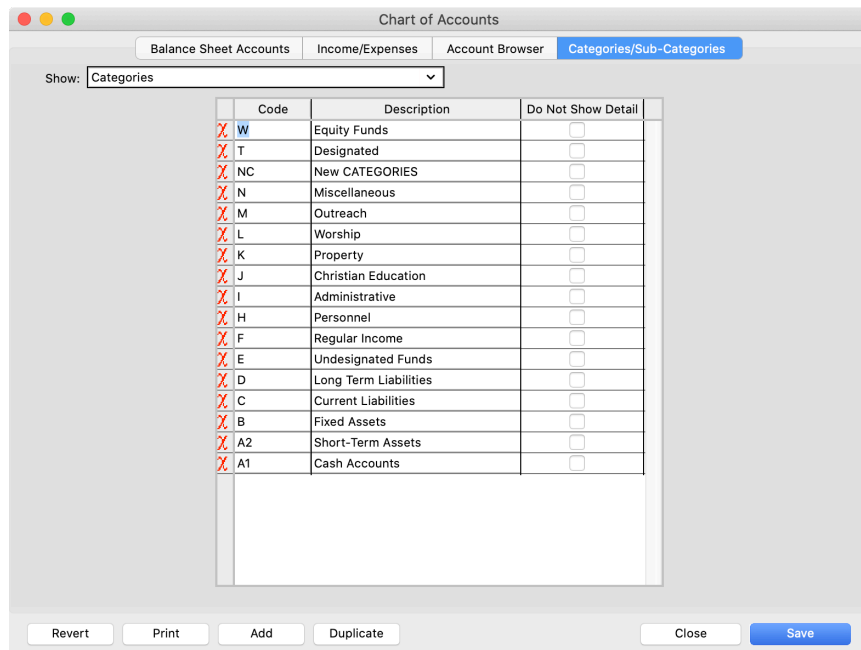
Structure the design of the Balance Sheet (A/L/F) by use of Categories.

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

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

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, 2021). 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.
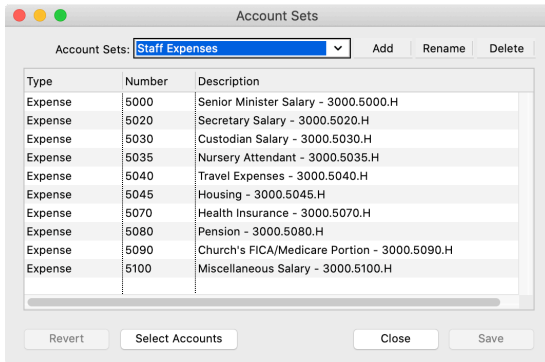

Check Numbers

▶**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.

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.