

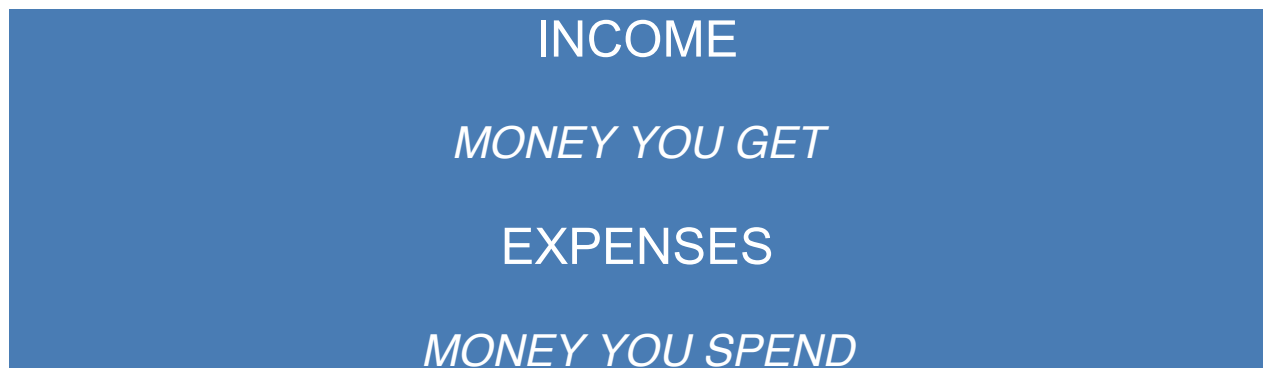
Chart of Accounts for a Church

Source: www.freechurchaccounting.com

A chart of accounts typically lists your balance sheet accounts first:



Then it lists your Statement of Activity (Income Statement) accounts:



A chart of accounts in a list of your particular church or nonprofit's account and account numbers.

Even though each organization's chart of accounts is unique, most nonprofit and churches use a universal numbering system to avoid confusion for your staff, bookkeepers, accountants, and financial institutions.

Standard Numbering Convention:



Account numbers are often five or more digits in length with each digit representing a division of the company, the department, the type of account, etc.

The account numbers are usually 5 or more digits, so we can break out that main category of numbers into more detailed groups.

Note: if you did an internet search on chart of accounts (COA) numbering...you would find the basic number system above...but when you start drilling it down...you will see a variety of numbering systems. All will appear in the same order (eg: ASSETS: Cash, Undeposited Funds, Receivables, Current Assets, Fixed Assets, etc.) BUT the number grouping will be different, so just remember you can use any numbering system you deem appropriate. Just use the main number used universally and using the remaining digits consistently.

For example:

ASSETS:

1000 - 1199: Cash and Investments (*list your bank account(s) first then investments*)

1200 - 1299: Undeposited funds (*use this if you are using QuickBooks or something similar*)

1300 - 1399: Receivables (*if you were using an accounting software such as Aplos...you would probably use 1200s*)

1400 - 1499: Prepaid Assets (*eg: insurance, postage, etc.*)

1500 - 1699: Current Assets

1700 - 1799: Fixed Assets (*eg: Land, Buildings, Equipment, etc.*)

1800 - 1899: Accumulated Depreciation (*if you track depreciation*)

1900 - 1999: Other long-term assets

LIABILITES:

2000 - 2499: Current liabilities (*obligations payable within one year {eg: credit cards, account payables, payroll payables}*)

2500 + Long-term liabilities (*eg: mortgage payable and vehicle payable*)

INCOME:

4000 - 4199: Donations and Support

4200 - 4299: Pledges

4300 - 4399: Grants

Again...this is just an example. Use your own group numbering for these 4000s...just be consistent.

5000s are another example of different organizations using different numbers. Some churches and nonprofits use them for earned revenues such as program service fees, membership dues, fundraisers, interest, fixed asset sales. BUT some organizations use 5s for expenses.

EXPENSES:

6000 - 6999: Operating/Functional Expenses (*eg: facilities, salaries, administration, etc.*)

The 6000's operating expenses can be grouped even more detailed with group or parent accounts such as Administration, Payroll, Facilities/Grounds, Programs/Ministries, etc.

7000 - 7999: Non-operating Expenses: (*eg: missions, ministries, etc.*)

8000s: Ask My Accountant: a place to record transactions you don't know what to do with and you want to review with your accountant reassigned.

Your chart of accounts is important as it is the foundation of your entire accounting system. However, I always advise my clients to start out simple and only with the accounts they are currently using as a COA is definitely a "work in progress".

Here are some tips to keep in mind as you build your COA:

- It is a lot easier to add accounts than to delete them
- Don't use specific names such as ABC dues, Dropbox, and Amazon Prime...instead use generic account names such as "Dues and Subscriptions". In most accounting software, you can run vendor reports to get more details.
- Use sub accounts! In most software, you can use sub accounts to detail donations and expenses out and then collapse those accounts to run more generalized reports. An example of that would be Utilities.
- If you are using Aplos Software, use tags to designate and identify certain things you want to temporarily track (*instead of building multiple funds*).
- Do NOT use classes in QuickBooks to track everything under the sun! Use Products/Services in QBOonline and Items in QBDesktop to track

designated donations and some programs. The same goes for using 20 plus income accounts! Use one "designated donations" income account and then build a class for year to year ministries and/or P/S or Items for things like specific fundraisers, small groups, etc.

If you are going to use QuickBooks Online or Desktop...get Lisa London's "Accountant Beside You" books for examples of chart of accounts and setting up QB.

