

RDS Advantage

Preparation of Chart of Accounts

May, 2009



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Accounting Conventions

Balance Sheet accounts are:

- Assets (i.e., cash, investments, buildings)
- Liabilities (i.e., payroll tax liabilities, loans, obligations)
- Fund Balance (i.e., equity, retained earnings, in & out – agency money)

Revenue & Expense (Profit & Loss) accounts are:

- Income (i.e., contributions, interest income, building use fees)
- Expense (i.e., maintenance, salaries, supplies, utilities)

The type of account also usually determines whether it normally has a debit or credit balance.

	<u>Normal Balance</u>	<u>To Increase</u>	<u>To Decrease</u>		<u>Normal Balance</u>	<u>Increase</u>	<u>Decrease</u>
Assets	Debit	Debit	Credit	Income	Credit	Credit	Debit
Liabilities	Credit	Credit	Debit	Expense	Debit	Debit	Credit
Fund Balance	Credit	Credit	Debit				

Account Number Conventions

Common General Ledger Account Number Format in RDS: xxxx-xxx-xxx (can be xxxx-xxx-xxx-xxxx)
Fund – Major Account – Sub Account

XXXX-xxx-xxx

Fund Numbers:

- 100 to 199 General Fund (including sub-funds)
- 200 Fixed Asset Fund
- 201 to 299 Building Construction Funds
- 300 to 399 Endowment Funds (can't spend the principal)
- 400 to 999 Designated Funds (temporarily restricted)

xxxx-~~xxx~~-xxx

Major Account Numbers:

- Assets 000 to 199 in order of liquidity (i.e., cash comes first, fixed assets last)
- Liabilities 200 to 289 in order of liquidity (i.e., a/p first and long-term debt last)
- Fund Balance 290 to 299 (generally 291 for fund balance, 292 for designated balances)
- Income 300 to 399 either in order of importance or alphabetically
- Expenses 500 to 999 either in order of importance or alphabetically

xxxx-xxx-~~xxx~~

Sub-Account Numbers:

- 000 to 999 Usually alphabetical

Examples:

100-010-000	General Fund – Checking	Asset	Debit
600-010-000	School Fund – Checking	Asset	Debit
400-291-310	Designated Fund – Fund Balance – Family Life Retreat	Fund Bal	Credit
400-291-520	Designated Fund – Fund Balance – Music, Bells & Choir	Fund Bal	Credit
100-510-000	General Fund-Clergy Sub-Fund – Minister Exp – Salary	Expense	Debit
100-510-010	General Fund-Clergy Sub-Fund – Minister Exp – Housing	Expense	Debit
100-510-090	General Fund-Clergy Sub-Fund – Minister Exp – Travel	Expense	Debit
100-520-000	General Fund-Clergy Sub-Fund – Assoc Minister Exp – Salary	Expense	Debit
100-520-010	General Fund-Clergy Sub-Fund – Assoc Minister Exp – Housing	Expense	Debit
100-520-090	General Fund-Clergy Sub-Fund – Assoc Minister Exp – Travel	Expense	Debit
110-610-000	General Fund-Admin Sub-fund – Office Supplies	Expense	Debit
120-610-000	General Fund-Education Sub-fund – Literature/SS Supplies	Expense	Debit

Chart of Accounts Formatting System

To set up the chart of accounts, it is important to understand the numbering, titling, and coding used for each type of account. The system uses the Formatting Codes described below:

Posting codes: VP and VS

The following posting codes are used in setting up the Chart of Accounts for those accounts to which amounts will be posted during transaction entry and editing. Records, including current, year-to-date, budgets, and comparisons can be kept for all posting accounts.

A **VP** account has characteristics of both IP and VS accounts. Posting is allowed to a VP account. It is also a total account. VS accounts following immediately after a VP account and down to the next VP or IP account are totaled and one balance is printed on the financial statements. If no VS accounts follow a VP account, the balance in the VP account will print.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0100-10-000	Cash in Bank - General	00020VP
0100-10-150	Cash in Bank - 1st Natl	00030VS
0100-10-840	Cash in Bank - Security	00040VS
0100-10-900	Cash in Bank - Thrifty	00050VS

A **VS** account is the lowest level code. Transactions are posted to these accounts, but the account balance and description is not printed on the financial statement. One or more VS accounts must be accompanied by a previous IP or VP code. All VS accounts are totaled together and print under the description of the IP or VP account. The description of the VS account does not print on the Financial Statement.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0-300-0	Revenues	0100IP
100-310-0	Budget Revenues	0120VS
100-360-0	Other Revenues	0130VS
100-340-0	Interest Revenue	0140VS

Title codes:

- HD Text in header of Financial Statement
- HL Major heading (i.e., Assets – indented 15 characters)
- GH Group header or title for regular accounts – indented and followed by a blank line
- TX Prints description only – indented
- SR Equivalent of TX, but begins accumulation of amount on which to calculate ratio for commercial financial statements
- IP Group description, and summarizes all VS accounts which follow

Title Codes are used to determine the appearance and format of the Revenue Statement and Balance Sheet. They may be used to separate various sections of these reports. They are "dummy" accounts and do not permit posting. Following are examples of Title Codes:

Formats using 1HD and 2HD print codes are used to determine the text that appears at the top of the Balance Sheet and Revenue Statements, just under the name of the organization. Formats of 3HD and 4HD print codes are used to print text after the date header.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0000-001-000	6801 N. Broadway	00001HD
0000-002-000	Oklahoma City, OK	00002HD

This coding will produce a financial statement header such as:

ORGANIZATION NAME
6801 N. Broadway
Oklahoma City, OK

The **HL** format code is used to describe a major heading on a report. These are centered on the Balance Sheet and indented 15 spaces in the Revenue Statement. No posting is allowed to these accounts.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0000-900-000	ASSETS	00005HL

GH accounts are used as a group header or title that introduce regular accounts. There is no posting allowed to these accounts. These are indented two spaces. There is an automatic line feed after printing the account name.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
000-100-000	CURRENT ASSETS	00010GH

TX accounts print the description **ONLY**. This is a dummy account. The description is indented the same amount of spaces as a GH account. However, the **TX** account does not skip a line like the GH printing. It allows two line headers.

SR accounts are the equivalent of TX accounts, but they begin accumulating an amount on which to calculate a ratio for commercial financial statements.

IP is used to preface several VS accounts. It simply prints the description. All VS accounts immediately following this IP account are added together, and the total is printed with the description of the IP account. The IP account itself can have no value and must be used in conjunction with one or more VS accounts immediately following.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0000-01-000	CASH IN BANK	00010IP

Total codes:

SS Totals all VS and VP accounts up to previous SS, ST, TT, GT or NT account

ST Totals all VS and SP accounts up to previous ST, TT, GT or NT account

ER Equivalent of ST, but is the total for determining a ratio

TT Totals all VS and VP accounts up to previous TT, GT or NT accounts (Overrides all SS and ST accounts)

GT Adds all VP and VS accounts back to the last GT or NT account (Overrides all SS, ST and TT accounts)

NT A final total on any report. It is greater than a GT and the amount is followed by a double underscore. No posting is allowed to this code.

The Totaling codes are used to combine different sections or divisions of the chart of accounts. These include section totals, sub-totals, main totals, and grand totals or net totals. All total accounts are dummy accounts to which posting is not allowed. All totals except SS, ST and ER are followed by a line feed. The following codes are Total Codes:

SS accounts total all VS and VP accounts up to the previous SS, ST, TT, GT or NT account. It is a section sub-total. It accumulates in the same manner as any total account and prints a description.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
0-90-0	Total Current Assets	00090SS

ST accounts total all VS and VP accounts up to the previous ST, TT, GT or NT account. It is a sub-total. It prints a description of the sub-total. It will total back to the last sub-total coded on the Financial Statement.

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>CODE</u>
100-10-0	Cash in Bank - General	00100VP
100-10-840	Cash in Bank - Security	00110VP
100-10-900	Cash in Bank - Thrifty	00140VP
0-10-90	Total Cash	00150ST
100-180-0	Misc. Assets	00160VP
425-180-0	Misc. Fund A Assets	00170VP
0-180-0	Total Misc. Assets	00180ST
200-105-0	Buildings	00190VP
200-110-0	Autos	00200VP
200-120-0	Equipment	00220VP
0-195-0	Total Fixed Assets	00240ST
0-199-0	Total Assets	00250NT

ER is the equivalent of ST, but is the total for determining a ratio.

TT accounts total all VS and VP accounts back to the previous TT, GT, or NT accounts (Overrides all SS and ST accounts).

A **GT** account will add all VP and VS accounts back to the last GT or NT account (Overrides all SS, ST and TT accounts).

NT is a final total on any report. It is greater than a GT and the amount is followed by a double underscore. No posting is allowed to this code.

Special Function codes:

NP Balance Sheet account calculates net revenue and expense

HF Cues printer to advance to new page

LF Line Feed during printing

** Prints a row of *'s

Special Function codes are used in special cases for variations in the previous coding:

NP is used only on the Balance Sheet. It calculates the net revenue/expense year-to-date. This code also totals the prior year's bottom line if comparatives are to be shown. A dummy account - no posting allowed. NP MUST be the LAST equity account.

HF is used to cue the printer to advance to begin a new page. The description entered is not printed. No posting is allowed for this code.

LF is used to cause a line feed. The description is not printed and no posting is allowed. It is useful in creating spacing to begin a section or simply add a line of spacing for easy reading of the report.

****** prints a row of asterisks (*'s).

It is important to understand that there is **NO** relationship between the chart of account number and the format code or print schedule number. A chart of account may be placed in any financial statement in any order or vertical location desired, regardless of its number.

This feature is a major advantage over systems that depend upon the chart of account number to determine its print order. The print schedule number format always determines the print order for an account in a statement.

Chart of Accounts Funds Coding

Format Financial Statement

Similar accounts for different Funds can be coded as follows: Note that the second three digits (second segment) of the chart of account number are being used as the 'Department' or 'Fund' number.

<u>(major-dept-sub)</u>		<u>Format 1</u>	<u>Format 2</u>
0-302-0	All Revenue	00100VP	
100-302-000	Fund B Revenue	00110VS	00010VP
200-302-000	Fund C Revenue	00110VS	00020VP
300-302-000	Fund D Revenue	00110VS	00030VP

In the example above, the VP account will print with totals of Funds B, C and D in Format 1, and the VS accounts will not print. Format 2 provides for printing each fund account separately with their individual totals. Whether the Revenue Statement is for a single Fund or for the whole church (or organization), Fund B Revenue will always appear as one item with the appropriate total.

The same applies to IP accounts:

<u>(major-dept-sub)</u>		<u>Format 1</u>
000-126-000	Accumulated Deprec.	00101IP
200-126-001	Acc/Deprec/Bldgs	00110VS
200-126-002	Acc/Deprec/Equip	00110VS

Note in both examples above, there is the same sequence number. A group of VS accounts that sum into one item on a Financial Statement may have the same sequence number.

There is a variation to the preceding which deserves mention. The following accounts, while similar, are essentially different:

<u>(major-dept-sub)</u>		<u>Format 1</u>
100-010-100	Cash in Bank - FNCB	00100VP
100-010-200	Cash in Bank - Chase	00200VP

As such, both will appear on a consolidated Balance Sheet or other financial statement. Note that number 0101-100-200 is not a VS account and has a different sequence number.

If, for example, it was decided that there should be only one item, 'Cash in Bank,' on the Balance Sheet, the changes required would be:

(major-dept-sub)

000-010-000

Cash in Bank

Format 1

00090IP

100-010-100

Cash in Bank - FNCB

00100VS

100-010-200

Cash in Bank - Chase

00200VS

See also: Chart of Accounts Example on page 12

Individual Ministry (Department) Financial Reporting Setup:

To allow ministry (department) heads to view and print their own ministry financial information, in the Security Authorization program, CS202, for each department head, enter the financial statement form (form 1, 2, 3 or 4) and supporting schedule number in which that department's supporting schedule is included.

This will allow a ministry head to view and print ONLY the Revenue and Expenditure statements, Revenue and Expenditure Variance report, Financial Activity Statements, Statement of Changes, and Trial Balance for their ministry.

Each ministry (department) report must be set up in the chart of accounts within a financial statement form and a supporting schedule. Supporting Schedules may also be referred to as 'sub-funds.'

Examples to Set Up Ministry Supporting Schedules:

To have headers for: Revenue, Total Revenue, Expenses, Total Expenses, and Net Income for each ministry department, set up a chart of accounts for each one of these for each ministry.

Note: Each account can be used only one time in each financial statement format. In order to use header accounts more than one time in each ministry supporting schedule, a separate account must be set up for each ministry supporting schedule header.

If the current account numbers for these accounts are (assumes that the first segment is used as the fund):

0-300-000	Revenue
0-300-990	Total Revenue
0-500-000	Expenses
0-500-990	Total Expenses
0-299-000	Net Income

To set up the accounts for ministry (department) 10 (sub fund-110), you can add the following accounts:

<u>Account</u>	<u>SS4</u>	<u>Format</u>
0-300-010	Revenue	10 0100 GH
0-301-010	Total Revenue	10 1990 TT
0-500-010	Expenses	10 2000 GH
0-501-010	Total Expenses	10 9980 TT
0-299-010	Net Income	10 9990 NT

Then to set up the accounts for ministry (department) 20 (sub fund-120), add the following accounts:

<u>Account</u>	<u>SS4</u>	<u>Format</u>
0-300-020	Revenue	20 0100 GH
0-301-020	Total Revenue	20 1990 TT
0-500-020	Expenses	20 2000 GH
0-501-020	Total Expenses	20 9980 TT
0-299-020	Net Income	20 9990 NT

If a person is responsible for more than one ministry, a supporting schedule can be created that includes each one.

Chart of Accounts Example

Each type of financial statement can have up to four different formats (i.e. very detailed, condensed, summary, etc.), and each statement may include up to 99 supporting schedules.

Format Codes

<u>Fund</u>	<u>Account Description</u>	<u>Type</u>	<u>Credit</u>	Number	Income Stmt.	Bal. Sheet	Fund St
Zero	Assets	B	D	000-001-000		10100	HL
GenOp	Checking	B	D	100-010-000		10200	VP
GenOp	Money Market	B	D	100-030-000	10400	VP	
Desg	Designated Funds Ca	B	D	400-000-000	10500	VP	10100 TX
Desg	Money Market	B	D	400-030-000	10600	VS	10200 VP
Desg	Due From Genl Operat	B	D	400-050-100	10700	VS	10300 VP
GenOp	Due to Desig Funds	B	C	100-202-400	11700	VS	
Desg	Total Desig FundsCa	B	D	400-199-990	10400	TT	
Prop	Buildings	B	D	200-100-000	10800	VP	
Prop	Equipment and Furn.	B	D	200-110-000	10900	VP	
Zero	Total Assets	B	D	000-199-999	11000	NT	
Zero	Liab and Fund Bal	B	C	000-200-000	11100	HL	
GenOp	Accounts Payable	B	C	100-200-000	11200	VP	
GenOp	A/P-Federal Withhold	B	C	100-201-010	11300	VP	
GenOp	A/P-FICA	B	C	100-201-020	11400	VP	
GenOp	A/P-Medicare	B	C	100-201-030	11500	VP	
GenOp	A/P-State Withhold	B	C	100-201-040	11600	VP	
Zero	Total Liabilities	B	C	000-289-000	11800	TT	
Zero	Fund Balances	B	C	000-290-000	11900	GH	
Desg	Desig Fund Balances	B	C	400-290-000	12000	VP	10500 TX
Desg	Benevolence Fund	B	C	400-291-050	12100	VS	10600 VP
Desg	Mission Fund	B	C	400-291-100	12200	VS	10700 VP
Desg	Total Desig Fund Bal	B	C	400-291-999	10800	TT	
Prop	Prop Begin Fund Bal	B	C	200-291-000	12300	VP	
GenOp	GenOp Begin Fund Bal	B	C	100-291-000	12400	VP	
Zero	Net Revenue/<Loss>	B	C	000-299-990	12500	NP	
Zero	Total Fund Balance	B	C	000-299-995	12600	TT	
Zero	Total Liab& Fund Bal	B	C	000-299-999	12700	NT	
Zero	Revenue	P	C	000-300-000	10100	GH	
GenOp	Contrib-Pledged	P	C	100-310-010	10200	VP	
GenOp	Contrib-Identif	P	C	100-310-020	10300	VP	
GenOp	Contrib-Loose Plate	P	C	100-310-030	10400	VP	
GenOp	Interest Revenue	P	C	100-320-000	10500	VP	

GenOp	Miscellaneous Rev	P	C	100-330-000	10600	VP
Zero	Total Revenue	P	C	000-399-999	10700	GT
Zero	Expenditures	P	D	000-500-000	10800	GH
Zero	Missions	P	D	000-510-000	10900	TX
GenOp	Missions-Foreign	P	D	100-510-010	11000	VP
GenOp	Missions-Home	P	D	100-510-020	11100	VP
GenOp	Missions-Benevol	P	D	100-510-030	11200	VP
GenOp	Missions Outreach	P	D	100-510-040	11300	VP
Zero	Total Missions	P	D	000-545-999	11400	TT
Zero	Music Ministry	P	D	000-550-000	11500	TX
GenOp	Music Groups	P	D	100-550-000	11600	IP
GenOp	Music Groups-Adult	P	D	100-550-010	11700	VS
GenOp	Music Groups-Choirs	P	D	100-550-020	11800	VS
GenOp	Music Groups-Y Choir	P	D	100-550-030	11900	VS
GenOp	Instrument Repair	P	D	100-550-050	12000	VP
Zero	Total Music Ministry	P	D	000-550-999	12100	TT
Zero	Education Ministries	P	D	000-560-000	12200	TX
GenOp	Curriculum	P	D	100-560-010	12300	VP
GenOp	Camps	P	D	100-560-020	12400	VP
GenOp	Supplies	P	D	100-560-030	12500	VP
Zero	Total Education Min	P	D	000-560-999	12600	TT
Zero	Office Support	P	D	000-570-000	12700	TX
GenOp	Office Expnse	P	D	100-570-010	12800	VP
GenOp	Business Expenses	P	D	100-570-020	12900	VP
GenOp	Continuing Education	P	D	100-570-030	13000	VP
GenOp	Comp Maint & Supp	P	D	100-570-040	13100	VP
Zero	Total Office Support	P	D	000-570-999	13200	TT
Zero	Buildings & Propert	P	D	000-580-000	13300	TX
GenOp	Repairs & Maintenanc	P	D	100-580-010	13400	VP
GenOp	Insurance	P	D	100-580-020	13500	VP
GenOp	Transportation Exp	P	D	100-580-030	13600	VP
GenOp	Utilities	P	D	100-581-000	13700	IP
GenOp	Utilities-Electric	P	D	100-581-010	13800	VS
GenOp	Utilities-Gas	P	D	100-581-020	13900	VS
GenOp	Utilities-Telephone	P	D	100-581-030	14000	VS
GenOp	Utilities-Water&Tra	P	D	100-581-040	14100	VS
Zero	Total Buildings&Prop	P	D	000-589-999	14200	TT
Zero	Personnel	P	D	000-590-000	14300	TX
GenOp	Salaries-Ministerial	P	D	100-591-000	14400	IP
GenOp	Salary-Pastor	P	D	100-591-010	14500	VS
GenOp	Housing-Pastor	P	D	100-591-020	14600	VS
GenOp	Salary-Music Minister	P	D	100-592-010	14700	VS
GenOp	Housing-Mus Minister	P	D	100-592-020	14800	VS
GenOp	Salary-Min of Educa	P	D	100-593-030	14900	VS

GenOp	Housing-Min Educat	P	D	100-593-020	15000	VS
GenOp	Salaries-Staff	P	D	100-594-000	15100	IP
GenOp	Salary-Church Sec	P	D	100-594-010	15200	VS
GenOp	Salary-Financial Sec	P	D	100-594-020	15300	VS
GenOp	Salary-Education Sec	P	D	100-594-030	15400	VS
GenOp	Personnel Support	P	D	100-595-000	15500	IP
GenOp	Medical Insurance	P	D	100-595-010	15600	VS
GenOp	Payroll Taxes	P	D	100-595-020	15700	VS
GenOp	Retirement	P	D	100-595-030	15800	VS
Zero	Total Personnel	P	D	000-595-999	15900	TT
Zero	Total Expenditures	P	D	000-999-990	16000	GT
Zero	Net Rev/<Expenses>	P	C	000-999-995	16100	NT

Example of Financial Statement (Balance Sheet) with Coding

First Church of Faith
 Balance Sheet
 ----For the Period Ending 4/30/2009---
 UNAUDITED (HD)

ASSETS (HL)		
Current Assets (GH)		
General Checking (VP)	1,000.00	
General Savings (VP)	10,000.00	
	<u>11,000.00</u>	
Long Term Assets (TX)		
Buildings (VP)	100,000.00	
Furn/Fixt/Equip (IP)	20,000.00	(includes Furniture (VS of 10,000) and Equipment (VS of 10,000))
	<u>120,000.00</u>	
Total Long Term Assets (SS)	120,000.00	
Total Current & Long Term (ST)	<u>131,000.00</u>	
Other Assets (TX)		
Investment in Foundation (VP)	25,000.00	
Total Assets (NT)	<u>156,000.00</u>	
	=====	
LIABILITIES & FUND BALANCE (HL)		
Liabilities (GH)		
Account Payable (VP)	500.00	
Notes Payable (VP)	10,000.00	
	<u>10,500.00</u>	
Total Liabilities (GT)	10,500.00	
Fund Balances (TX)		
Designated Funds (IP)	15,000.00	(includes Missions (VS of 10,000) and Bus Fund (VS of 5,000))
Fixed Asset Fund (VP)	5,000.00	
Endowment Funds (IP)	25,000.00	(includes Corpus (VS of 20,000) and Accum Rev (VS of 5,000))
Building Fund (VP)	50,000.00	(includes Fund Bal (VP of 40,0000) and Net Inc (VS of 10,000))
	<u>95,000.00</u>	
Total Other Funds	95,000.00	
General Fund (VP)	35,000.00	
Net Rev/<Exp> (NP)	15,500.00	
Total General Fund (TT)	<u>50,500.00</u>	
Total fund Balances (GT)	<u>145,000.00</u>	
Total Liab & Fund Bal (NT)	<u>156,000.00</u>	
	=====	