

## EXPLANATION OF DIOCESAN CHART OF ACCOUNTS AND ITS USE.

A unified chart of accounts is an important tool for organizations and their governing bodies for several reasons. The chart of accounts is the file system of the bookkeeping process. It is important because it not only tells the decision making body what the financial situation of the organization is, but it also helps the organization remain in compliance with local and federal laws. By using a standard chart of accounts we can assure that all the parishes in the Diocese are using the same system of accounting for parish finances. Another benefit is to the administrator of the parish. From time to time our administrators move from one parish to another. By using a standard system for accounting this part of the transition is much easier.

Most of the categories on the chart of accounts are self-explanatory. There are times when you will come across an item that you question its classification. This booklet is to help in those circumstances.

If a category works but is not specific enough for your particular parish, you can create a sub-category. When you are creating a report that does not need to be detailed such as a summary report to the parish, the sub-categories can be hidden.

If your administrator or finance council require a more detailed report, class reporting can be used. The finance council and/or administrator might decide that they want to track a certain activity such as education for example. You can set up a class for that particular activity. Any income or expenditures associated with the activity can be classified as such when they are being posted to the books. Whatever is not classified will remain in a general category. When the administrator and/or finance council needs to see a report on that activity you can create a report that breaks down the classes. For instance in QuickBooks there is a report called "Profit and Loss by class."

It is important to use the Standard Chart of Accounts for the Diocese. You can create sub-categories and even sub-sub categories if you so choose, but keep the basic categories in tack. This is the only way to maintain consistency in reporting throughout the Diocese. By maintaining consistency we are ensuring that we are also maintaining accountability. Today we hear more and more about the concept of transparency in the corporate world's financial disclosures. It will not be a long time before those ideas seep into **our** account reporting requirements.

Definition of accounting reports and their intended use:

**Balance Sheet-** This is the report that lists everything the parish owns and owes. It tells the financial situation of the parish. A balance sheet can be dated to show the financial position of the parish as of a certain period in time. Normally for fiscal reporting the balance sheet date is the last day of the fiscal year (June 30, 20xx)

The balance sheet accounts are assets, liabilities and equity

**Income Statement-** Also referred to as profit & loss or revenue & expenditure reports. This report tells about the operations of the parish. This report can be dated for any time period in which the statement users need information.

Our parishes deal with basically four types of income statement accounts.

**Income-** very basic the usual income that a parish receives on a regular basis.

**Other income-** An unusual source of income such as proceeds from the sale of land or income from an insurance claim payment from a disaster. Basically income received that is not a normal revenue, and that most likely will never occur again.

We also place income from ongoing campaigns for building funds or special projects in this category because including such income in regular income may make the decision makers of the parish think that the parish has an ongoing income for operating expenses that they do not have. This income is usually temporary ending when the campaign ends.

**Expense-** the usual expenditures that come with everyday parish business.

**Other Expense-** An unusual expense that will not occur on a regular basis. An example would be a capital expense.

It is important to distinguish between usual income or expenditures and extraordinary (other) income or expenditures. When this information is on a report that is being examined by the parish administrator or finance committee they need to be able to determine if the parish is operating in a long term financial profit or deficit or if the profit or deficit is not likely to occur again.

### **Definitions of account types.**

**ASSETS-** Balance Sheet accounting of physical items that have value and are .

owned by the parish.

**Bank Account-** This is an asset account and the balance of this account will be found on the parish's balance sheet. These accounts are also the accounts that are affected by the parish's income and expense transactions.

We also designate investments as bank accounts due to the choices offered in the QuickBooks program.

**Accounts Receivable-** This is an asset account which will be listed on the parish's balance sheet.

Very rarely will this account be used by the parishes.

There are two instances in which this might be used:

- 1 When a parish is conducting a major fundraising campaign and pledges are being used.
- 2 When a parish has made a loan to someone.

**Other Current Asset-** These are assets that are expected to belong to the parish for less than the year.

**Fixed Asset-** These are also balance sheet assets such as land, buildings, and equipment.

Because of the complicated nature of accounting for these items most of the parishes in the Diocese do not include these assets on their balance sheets.

**LIABILITIES:** Balance sheet accounting of debts owed to outsiders (creditors)

**Accounts Payable-** This is a liability created by a purchase made on credit.

Our parishes accounting programs should be set up for cash accounting not accrual accounting. If you are set up for accrual accounting you might encounter instances where the parish has an accounts payable balance. This occurs when you have entered a bill onto the computer system but have not paid it yet. The bill will sit in an Accounts payable account until it is paid.

**Current Liability-** A liability that will be due within a short period of time (usually less than a year) and will be paid out of current assets.

Payroll withholdings are an example of current liabilities

**Long- Term Liability-** Liabilities that are not due for a long time (usually more than a year)

Long Term loans are both current and long term liabilities. These loans will have a portion due within a year and a portion due in more than a year.

Finance council members find it useful to have this distinction shown on the balance sheet. It helps with budgeting.

**EQUITY:** Balance sheet accounting of parishes net worth after liabilities are deducted.

### Parish Chart of Accounts

Account Number	Sub accounts	Description	Type
<b>Asset Accounts</b>			
101	Checking		Bank
	101.1	Operating (general fund) account	
	101.2	Bingo account (or whatever any additional accounts are named)	
102	Savings		Bank
103	Petty Cash		Bank
104	Security Accounts (Stock/Bond Investments)		Bank
	104.1	Name of 1st security listed (i.e. Starbucks)	Bank
	104.11	Market Value Adjustment	Bank
	104.2	Name of 2nd Security listed (i.e. Wendy's Corp)	Bank
	104.21	Market Value Adjustment	Bank
		Note the MVA for the corresponding security has the 104, then the # of the security then a 1.	
<b>Liability Accounts</b>			
202	Payroll Taxes Payable		Other Current Liability
	202.1	Federal income taxes payable	Other Current Liability
	202.2	Federal SS taxes payable	Other Current Liability
	202.3	Federal Medicare taxes payable	Other Current Liability
	202.4	State income taxes payable	Other Current Liability
300	Opening balance equity		Equity
390	Retained Earnings		Equity
 <b>Income Accounts</b>			
1000	Parish Collections		Income
	1005	Sunday Collections	Income
	1010	Holy Days	Income
1200	Diocesan Collections		Income
	1205	Latin America	Income
	1210	Black & Indian	Income
	1215	Overseas Appeal	Income
	1220	Rice Bowl	Income

1225 Holy Land	Income
1230 Good Shepard	Income
1235 Seminary	Income
1240 Peter's Pence	Income
1250 Mission Sunday	Income
1255 Campaign for Human Development	Income
1260 Communications	Income
1265 Religious Retirement	Income
1275 Home Missions	Income
1280 Misc. Special Collection	Income
1300 Grants/Subsidies	Income
1305 Home Missions	Income
1310 Black & Indian	Income
1315 Extension Salary Subsidy	Income
1320 Diocesan Salary Subsidy	Income
1325 Extension Grant	Income
1330 Franciscan Mission Union	Income
1340 Southwest Indian Foundation	Income
1345 Bishop's Appeal Grant(s)	Income
1400 Donations	Income
1405 Parish Societies	Income
1410 Twinning Parish	Income
1415 Individual Donations	Income
1420 Other Donations	Income
1500 Education	Income
1505 Parish Collections	Income
1510 Tuition	Income
1515 Books	Income
1520 Other Donations	Income
1525 Fees	Income
1600 Wills/Bequests	Income
1700 Lease/Rental	Income
1800 Bingo	Income
1900 Sales	Income
2000 Special Events	Income

This can be used for two purposes. One would be any special function that the church carries out such as a fiesta. It can also be used for fundraising income. Creating sub-categories to track the specific campaign. Also, note that the 6000 account is for fundraising expense these two accounts work hand in hand and therefore whatever sub-category is used for the income the same numbers with a 60xx prefix would be used for the corresponding expense.

2100 Interest/Investments	Income
2105 Interest	Income

This account is used to report all interest the parish receives from bank and investment accounts. If the parish has given a loan with interest

the interest income from that loan also goes here.

2110 Gain on Sale of Securities	Income
This is used only when securities have been sold.	
2115 Unrealized Gain/(-loss) on investment	Income
This is used to account for the change in fair market value of securities. Can be done monthly, quarterly, or annually ( just before year end-as of 6/30/xx) to account for change in market value to more accurately account for the value of the securities. The offsetting account is 104.x1 Market Value Adjustment.	
2200 Miscellaneous Income	Income
2205 Votive Lights	Income
2210 Pamphlets	Income
2215 Religious Articles	Income
2220 Stole Fees	Income
2225 Socials	Income
2235 Voice of the Southwest	Income
2240 Other Misc	Income
2245 Mass Offerings	Income
2300 Other Income	Income
2310 Insurance Claim	Income

### Expense Accounts

5000 Administrative/Operations	Expense
5005 Office Supply	Expense
5010 Telephone	Expense
5012 Utilities	Expense
5013 Electric	Expense
5014 Natural Gas (Propane)	Expense
5015 Water	Expense
5016 Cable TV	Expense
5017 Other	Expense
5020 Auto	Expense
5021 Maintenance	Expense
5022 Gasoline	Expense
5023 Mileage	Expense
5024 Insurance (auto)	Expense
5025 License/Registration	Expense
5030 Repair (minor)/ Maintenance	Expense
5045 Taxes (Property, sales)	Expense
5050 Workshops/ Conventions	Expense
5055 Assessment (cathedraticum)	Expense

5065 Janitorial Supplies	Expense
5070 Publications	Expense
5075 Postage	Expense
5080 Rent	Expense
5085 Bank Charges	Expense
5090 Insurance (Catholic Mutual)	Expense
5095 Misc. Administration	Expense
5100 Personnel	Expense
5101 Payroll	Expense
5102 Salaries	Expense
5103 Payroll Taxes	Expense
5104 Mass Intentions	Expense
5107 Car Allowance	Expense
5108 Social Security Allowance	Expense
5109 Workers' Compensation	Expense
5110 Benefits	Expense
5111 Retreat	Expense
5112 Medical/Dental Expense	Expense
5113 Health Insurance	Expense
5114 Retirement	Expense
5115 Food/Household	Expense
5120 Offering (visiting priest)	Expense
5130 Religious Salaries (non taxable)	Expense
5200 Education Expense	Expense
5205 CCD	Expense
5210 Adult Education	Expense
5220 Spiritual Formation	Expense
5230 Catholic School Subsidy	Expense
5235 RCIA	Expense
5300 Liturgy/Sacraments	Expense
5305 Church Supplies	Expense
5310 Religious Articles	Expense
5320 Music	Expense
5330 Printing	Expense
5335 Other Sacramental	Expense
5400 Evangelization	Expense
5410 Voice of the Southwest	Expense
5420 Other Evangelization	Expense
5430 Disciples in Mission	Expense
5500 Bingo Expense	Expense
5600 Lease/Rental	Expense
5700 Social Justice Outreach	Expense
This account is used to report any expenditures in the form of a donation. For instance Cathedral's jubilee celebration donation of \$1,000 to each parish in the Diocese falls under this category.	
5710 Donations	Expense

5800 Youth Programs	Expense
5900 Parish Socials	Expense
6000 Fundraising	Expense
6200 Diocesan Collections Sent	Expense
6205 Latin America	Expense
6210 Black & Indian	Expense
6215 Overseas Appeal	Expense
6220 Rice Bowl	Expense
6225 Holy Land	Expense
6230 Good Shepard	Expense
6235 Seminary	Expense
6240 Peter's Pence	Expense
6250 Mission Sunday	Expense
6255 Campaign for Human Development	Expense
6260 Communications	Expense
6265 Religious Retirement	Expense
6275 Home Missions	Expense
6280 Misc Collections	Expense
6300 Miscellaneous Expense	Expense
6400 Capital Improvement Income	Other Income
6410 Capital Campaign	Other Income
6420 Building Fund	Other Income
6430 Sale of Asset	Other Income
6500 Capital Improvement Expense	Other Expense
6510 Land Purchase	Other Expense
6520 Building Permit	Other Expense
6530 Remodel	Other Expense
6540 New Construction	Other Expense
6550 Equipment Purchase	Other Expense
6560 Furniture Purchase	Other Expense
6900 Uncategorized Expense	Other Expense