

## VI. CHART OF ACCOUNTS

### 1. Elements

#### 1.1 Definition

The Chart of Accounts (“the Chart”) is the framework to identify all financial and operational transactions within a Parish. As donations and other sources of monies are received and expenses paid, the Chart specifies the recording of these transactions in the general ledger so that meaningful reporting can be created by Parish business managers, accountants to help Pastors make accurate and timely financial decisions.

The following definitions provide a basic understanding of accounting terminology that is used in the financial operation of the 87 Parishes in the Diocese of Bridgeport:

- **Revenue:** Monies received from parishioners or other sources that are used to fund the operation of the Parish. Examples: offertory collections, special gifts and bequests from parishioners or their estates, cash generated from Parish fund-raising activities.
- **Expenses:** Costs of purchasing goods and services to operate a Parish on an ongoing basis. The largest expenses can be classified as follows: compensation for employees; general and administrative expenses such as utilities and supplies; insurance and medical coverage, etc.
- **Assets:** Property and items owned by the Parish, including bank accounts, real estate, buildings, furnishings, etc.
- **Liabilities:** Monies owed to companies, institutions and individuals for goods and services provided to the Parish in the normal course of business.
- **Net assets:** An accounting term that reflects the total value of assets minus the total value of liabilities. Net assets are classified in three ways:
  1. Unrestricted
  2. Temporarily restricted by donor restrictions/stipulations
  3. Permanently restricted by donor restrictions/stipulations



The complete “Chart of Accounts” that will be used in every Parish can be found in the Appendix at the end of this chapter. Further, there is a table which indicates which classes pertain to each account.

## 1.2 Components

The Chart of Accounts consists of a group of 4-digit account numbers at three levels of reporting, with each level providing greater detail. An example of an account number and levels is as follows:

### Revenue

**4100:** Other Regular Revenue

**4120:** Fundraisers

**4122:** Monies received from carnivals and bazaars

All activities in a Parish are categorized into six (6) areas of operations or “**functions.**” These six functions are called “**classes**” in the QuickBooks accounting software.

When entries into the accounting system are made by the Parish Business Manager/Accountant/Bookkeeper, they must be assigned to one of the 6 functions listed below.

**Note:** Many types of expenses are appropriately put in more than one function, e.g. salaries of priests are “Pastoral & Liturgical” while salaries of Parish secretaries are “General & Administrative.” Utility bills may pertain to rectory or to “General & Administrative.”

- **Pastoral & Liturgical:** All expenses incurred for the church and rectory.
- **Religious Education:** All revenue and expenses directly related to teaching the Catholic faith in Parishes for children and adults.
- **Other Parish Activities:** All revenue and expenses related to Parishes that maintain nursery schools, child care programs, cemeteries, rental properties and social activities of Parish organizations.
- **Fundraising:** All revenue and expenses incurred when Parishes raise funds to supplement other revenue and cover operating expenses of the Parish, e.g. Bingo, carnivals/bazaars, raffles.



- **General & Administrative:** Expenses incurred in daily operation of the Parish – paying employees, goods and services purchased, oil, utilities, maintenance, and supplies.
- **Offertory and Miscellaneous Revenue Categories:** All sources of revenue that support the mission of the Parish. Examples: offertory collections, gifts and bequests, and investment income.

The Chart of Accounts listed at the end of this chapter illustrates where transactions are to be posted in the QuickBooks accounting system for all revenue, expense, asset, and liability categories, with the normally associated function/class for revenue and expense transactions indicated by an “x.”

### 1.3 Financial Reports for Parishes

At the Parish level, periodic financial reports must be generated for the Pastor, Parish Finance Council, staff, and volunteers responsible for various Parish activities. Examples of these reports include offertory collections, building maintenance, individual fundraising events, and the combined result of all activities.

These reports can be generated weekly, monthly, quarterly, and annually and provide the Pastor with timely and accurate information on the financial condition of the Parish.

There are two primary financial reports which are compiled from five different types of accounts:

1. **Statement of Financial Position** (*similar to a for-profit entity Balance Sheet*)
  - Asset accounts
  - Liability accounts
  - Fund balance accounts
2. **Statement of Activities** (*similar to a for-profit entity income statement*)
  - Revenue accounts
  - Expense accounts



Please note that, currently, the online QuickBooks system does not include automated generation of cash flows statements. When that capability is added, this section will be updated.

### Statement of Financial Position, Top Level Accounts:

<u>Acct. #</u>	<u>Description</u>
1000	Cash
1100	Receivables
1200	Other assets
1300	Property and Equipment
1400	Investments (see Chapter IX)
2000	Accounts payable (see Chapter X)
2030	Credit card liabilities
2050	Special collections liabilities
2100	Accrued expenses
2200	Payroll liabilities
2300	Loans payable
2400	Deferred revenue
3000	Net assets

### Statement of Activities, Top Level of Accounts:

<u>Acct. #</u>	<u>Description</u>
4000	Offertory revenue: collections ( <i>subject to Cathedraticum: see Chapter X</i> )
4100	Other regular revenue
4200	Unusual (non-scheduled) revenue
5000	Compensation and benefits
5100	Contributions and assessments
5200	Professional fees and insurance
5300	Supplies, repairs, maintenance, and other services
5400	Utilities
5500	Interest
5600	Property taxes
5700	Depreciation
7000	Temporarily restricted revenue
8000	Permanently restricted revenue



Sub-accounts provide further detail of the major accounting categories of the Parish, including expenses, assets, and liabilities. Examples of sub-accounts:

Account: **5400 Utilities** has two sub-accounts, each of which have further sub-accounts:

**Sub-account 5460: Communications**

- **5461** Alarm monitoring and security
- **5462** Cable TV and Internet

**Sub-account 5470: Power and Water**

- **5471** Electric
- **5472** Gas

The Chart of Accounts captures the broad majority of transactions and classifications that are typically used throughout the 87 Parishes of the Diocese of Bridgeport.

Requests for new accounts or new revenue or expense sub-accounts **must** be made through Parish Finance Services, which will be responsible for adding any new accounts.

The standardization of account numbers will help to maintain a uniform system to provide consistent guidance to Parishes.

