

# BUY THE BOOKS


Enhancing Sound Financial Management in the Community Sector

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## Webinar Wednesday!

### Setting Up a Chart of Accounts – Where Do You Start?



Presented by:  
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Project Co-Coordinator, Buy the Books

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**Upcoming *BUY THE BOOKS* Sessions**

**Webinar Wednesdays!**

**Navigating HST in a Nonprofit Organization (WEBINAR)**  
Wed 22 Nov 2017      11:00am – 12:00pm

**The Do's and Don'ts of Charitable Receipting (WEBINAR)**  
Wed 29 Nov 2017      11:00am – 12:00pm

**Accounting Software – Do We Need It? (WEBINAR)**  
Wed 13 Dec 2017      11:00am - 12:00pm

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**Upcoming *BUY THE BOOKS* Sessions**

**Operating Budgets and Cash Flows – Do You Use Them?**  
Tues 5 Dec 2017      10:00am – 12:00pm      CSC Boardroom

<http://communitysector.nl.ca/events>


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## What is a Chart of Accounts (COA)?

- A list of all the 'accounts' in an organization's general ledger.
- Usually by number
- Usually divided into groupings
  - Groupings related to financial statement presentation

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## Why is the COA Important?

- Easily identify accounts
- Helps to ensure consistency in financial statement preparation/presentation
- Can ease the completion of grant applications, funder claims, HST returns, etc.

Timely and accurate financial reporting!

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## What to consider for your COA.

Organizations differ, but COAs follow a pattern

- Consider your Statement of Financial Position  
Assets = Liabilities + Net Assets
- And your Statement of Operations  
Revenues – Expenditures

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## COA

Assign a number to accounts by category:

- 1000 – 1999 Assets
- 2000 – 2999 Liabilities
- 3000 – 3999 Net Assets
- 4000 – 4999 Revenues
- 5000 – 9999 Expenses

- Start with a basic COA, then modify to needs

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## Statement of Financial Position

Assets 1000 – 1999

- Bank
  - One for each account
- Petty cash
- Investments
- Receivables
  - Grants, contributions, clients, employees, HST, etc.
- Prepaid expenses
- Fixed assets
  - Land, buildings, equipment, computers, etc.
  - Related accumulated depreciation/amortization accounts
- Intangibles

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## Statement of Financial Position

Assets (example)

Account #	Name	Category/Type	Account Group
1010	Checking	bank	Cash
1011	Savings	bank	Cash
1030	Petty Cash	bank	Cash
1200	Accounts Receivable	asset	Receivable
1210	Grants Receivable	asset	Receivable
1300	Prepaid	asset	Prepays
1520	Building Improvements	asset	Prepays
1500	Land	asset	Fixed Assets
1510	Building	asset	Fixed Assets
1530	Furniture	asset	Fixed Assets
1540	Equipment	asset	Fixed Assets
1590	Accumulated Depreciation	asset	Fixed Assets

**Assumption: Accrual accounting is used.**

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## Statement of Financial Position

### Liabilities 2000 – 2999

- Current (short-term) payables
  - Accounts payable (owing to suppliers)
  - EI, CPP, IT, HST (owing to gov't)
  - Interest (owing to creditors)
  - Short-term loans (creditors)
  - Employees (wages)
- Long term loans (bank loans, mortgages, etc.)
- Deferred revenue




## Statement of Financial Position

### Liabilities (example)

Account #	Name	Category/Type	Account Group
2000	Accounts Payable	liability	Payable
2001	Credit Card	liability	Payable
2100	Payroll Liabilities	liability	Payable
2500	Vendor Invoices	liability	Payable
2200	Accrued Fees	liability	Accrueds
2210	Accrued Interest	liability	Accrueds
2220	Accrued Vacation	liability	Accrueds
2300	Notes Payable	liability	Debt

**Assumption: Accrual accounting is used.**


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## Statement of Financial Position

### Net Assets 3000 – 3999

- Restricted
  - Endowment, capital assets, other
  - Reserves
- Unrestricted
  - Cumulative excess of revenues over expenditures that are available for use in operations

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## Statement of Financial Position

### Net Assets (example)

Account #	Name	Category/Type	Account Group
3010	Unrestricted net assets	Net Assets	Unrestricted NA
3020	Restricted net assets - temporary	Net Assets	Restricted NA
3030	Restricted net assets - capital	Net Assets	Restricted NA
3040	Restricted net assets - reserve	Net Assets	Restricted NA

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## Statement of Operations

Revenues 4000 – 4999

- Grants
- Contracts/project
- Donations
- Fundraising
- Interest

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## Statement of Operations

Revenues (example)

Account #	Name	Category/Type	Account Group
4000	Membership Dues	income	Income
4001	Veterinary Services	income	Income
4002	Contributions	income	Income
4003	Grant Income	income	Income

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## Statement of Operations

### Expenses 5000 – 9999

- Advertising
- Travel & accommodations
- Interest & bank charges
- Membership & dues
- Office supplies
- Rent
- Professional fees
- Training
- Salaries & benefits
- Utilities
- Depreciation/amortization

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## Statement of Operations

### Expenses (example)

Account #	Name	Category/Type	Account Group
5001	Salary Expense	expense	Salary
5003	Health Insurance	expense	Salary
5004	Payroll Fees	expense	Salary
5005	Payroll Taxes	expense	Salary
5101	Alarm Service	expense	Facility
5102	Office Cleaning	expense	Facility
5103	Landscaping	expense	Facility
5104	Pest Control	expense	Facility
5105	Bank Fees	expense	Facility
5106	Communications	expense	Facility
5107	Copier Lease	expense	Facility
5108	Rent	expense	Facility
5110	Dues and Subscriptions	expense	Facility
5111	Liability Insurance	expense	Facility


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## What Else to consider in your COA?

- Also consider your organization’s information needs
  - What information is needed?
  - At what level of detail?
  - In what format?
- May want to separate items further by project/division/location/fund, etc.

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## What Else to consider in your COA?


Revenue by *program* (example):

Account #	Name	Program	Category/Type	Account Group
4010 - 10	Contributions - general	10 - general	Income	Contributions
4010 - 20	Contributions - church maintenance	20 - church maintenance	Income	Contributions
4010 - 30	Contributions - kids' summer camp	30 - kids' summer camp	Income	Contributions

Expenses by *location* (example):

Account #	Name	Location	Category/Type	Account Group
5001-01	Salary expense	01 - Head Office	Expense	Salary
5001-02	Salary expense	02 - St. John's	Expense	Salary
5001-03	Salary expense	03 - Corner Brook	Expense	Salary


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## Resources

1. Non Profit Chart of Accounts (including sample COA)
2. Developing a Chart of Accounts for a Nonprofit Organization
3. Chart of Accounts (QuickBooks for Nonprofits)
4. Top Free Accounting Software Options (including *SlickPie* Canadian software) – *updated July 2017*

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**EVALUATION**

- Excellent
- Good
- Average
- Poor

Please complete the feedback form provided.

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**THANK-YOU!**

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