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# churchwindows

MANAGEMENT SOFTWARE

## Training Workbook

# Accounting 101





# Accounting 101

Published 10/2023  
Current for Version 25

This book is a beginning book which covers basic Fund Accounting Theory and the Setup Wizard. It is for new users whose Church Windows does not contain a Chart of Accounts or for existing users of Financial who wish to begin Accounting with a blank Chart of Accounts. It is not recommended for existing users converting current data from Financial into Accounting unless they wish to review Fund Accounting theory.

Fund Accounting.....	2
A Fund Defined.....	2
Components of a Fund .....	3
Ratio of Funds to Assets .....	3
Using the Wizard to Enter the COA .....	4
Step1: Set the Fiscal Year .....	4
Step 2: Decide Whether to Use Account Numbers.....	5
Designing Your Account Numbering Structure .....	7
Assigning Account Numbers .....	8
Step 3: Design the Funds & Their Accounts.....	8
The Funds .....	8
The Flow of Money .....	10
Step 4: Add the Assets & the Liabilities .....	13
Adding the Assets.....	13
Adding the Liabilities.....	15
Step 5: Set Beginning Balances.....	21
(A) Beginning Balances entered for start of fiscal year.....	22
(B) Beginning Balances entered for beginning mid year .....	23



## Fund Accounting

The Accounting module of Church Windows is a fund accounting software package for churches and non-profit organizations that coordinates with information from the Donations and Payroll modules. The module allows income and expense tracking, budgeting and check writing. It also provides fund accounting financial statements along with other valuable reports.

### A Fund Defined

A fund is an accounting entity set up to fulfill a designated purpose and to keep all its financial transactions separate from other funds. It generally has its own source of income and its own set of expenses. Its value is shown by the balance in the Fund Balance Account.

Most churches will have a General Operating Fund.

- They might also have the following:
  - Building Fund
  - Mission Fund
  - Outreach Fund
  - Memorial Fund
  - Youth Fund
- When you establish a fund, you are, in essence, restricting those monies to the designated purpose of that fund.
- Two factors decide whether money needs to be placed in its own fund:
  - 1) Will there be money that carries forward to the New Year?
  - 2) Do you want to report on this money separate from other monies?When you answer 'yes' to these two questions, you have a fund!
- A fund is not always money. Some churches will set up a Fixed Assets fund for the value of the church building, contents and land.

### Sub Funds

A fund can have **sub funds**. A sub fund is a sub-category, or another level of the original fund.

For example, you might have a Memorial Fund. It might have the following sub funds:

- Undesignated Memorials
- John Joseph Memorial
- Elliott Achedia Memorial
- Timothy Anglino Memorial

The system will default to totaling the sub funds into the primary fund. On reports you can elect to show only the balance in the main account or show the balance in each of the sub funds.

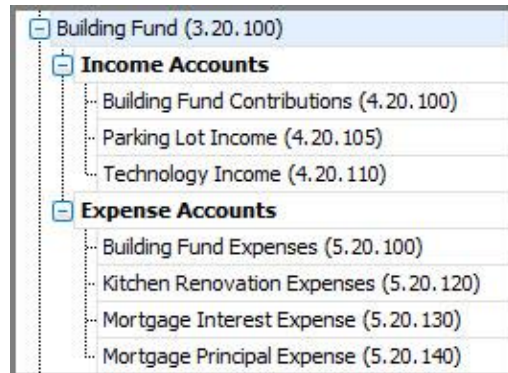
## Components of a Fund

For a fund to operate properly, it will need the following accounts:

- **Fund Balance account** to show how much money is in the fund,
- **Income account(s)** so that money can be posted into the fund, and
- **Expense account(s)** so that money can be spent out of the fund.

Some funds will have only one income and one expense; others will have several of each.

Here is a view from a Chart of Accounts of a fund with no sub funds.



Building Fund (3.20.100)
Income Accounts
Building Fund Contributions (4.20.100)
Parking Lot Income (4.20.105)
Technology Income (4.20.110)
Expense Accounts
Building Fund Expenses (5.20.100)
Kitchen Renovation Expenses (5.20.120)
Mortgage Interest Expense (5.20.130)
Mortgage Principal Expense (5.20.140)

## Ratio of Funds to Assets

Having different funds does NOT mean that the money must be stored in different places. The money for each “entity” of the church may be stored in one checking account or in many different asset accounts.



**It is by looking at the Fund Balance account that you know how much money each fund has.**

Coincidentally, there may be one asset account that just happens to contain all the monies that belong to a particular fund. For example, perhaps the Building Fund money is all stored in one particular savings account or money market. Therefore, the balance in the Building Fund Balance account (the # 3 account if you are using account numbers in your Chart of Accounts) would be the exact figure that appears in the asset account Bank ABC Building Savings Account (a # 1 account if you are using account numbers in your Chart of Accounts).

In other instances, the monies for several funds might all be stored in one asset account. Likewise the monies belonging to one fund can be stored in several different asset accounts. That is one of the beauties of Church Windows Accounting.

**Example 1** - A church might have one checking account at a bank.

1.XX.XXX if you are using account numbers in your Chart of Accounts with a balance of \$50,000.00.

Assuming the church has no liabilities with balances, the \$50,000 is distributed across the funds in this manner:

General Fund	\$15,000
Building Fund	\$30,000
Mission Fund	\$ 2,500
Education Fund	\$ 1,000
Memorial Fund	\$ 1,500
	<hr/>
	\$50,000

**Example 2** - That \$50,000 might be divided over more than one asset, as in this example:

	Checking Asset	Money Market Asset	
General	\$ 5,000	\$ 10,000	
Building	\$ 20,000	\$ 10,000	
Mission	0	\$ 2,500	
Education	0	\$ 1,000	
Memorial	\$ 1,500	0	
	<hr/>	<hr/>	
	\$ 26,500	\$ 23,500	= \$50,000

Each Fund Balance account tells how much of the total money in the checking and money market accounts belongs to a given fund.

## Using the Wizard to Enter the COA

### Step1: Set the Fiscal Year

For those people using the wizard, the first step is to define the fiscal year.

- The system defaults to a calendar year. If the month and year are correct, click **Set Accounting Year**.
- To change the month, click the down arrow and select the month that begins your fiscal year. Enter the year in which your year begins.

- Once you have the year set, click **Set Accounting Year**.

The system will ask you to confirm the dates for the accounting year. If correct, click **Yes**. If incorrect, click **No**.

## Step 2: Decide Whether to Use Account Numbers

- The wizard will ask if you will be using account numbers for your accounts.
- If so, click **Yes**; if not, click **No**.
  - Using account numbers is optional in Church Windows Accounting.
  - If you answer **Yes** to using numbers, accounts will be listed in numerical order. After adding the accounts, you will be able to add and arrange the subtotals, and their included accounts, so they show on reports in a preferred order.
  - If you answer **No** to using account numbers, the accounts will be listed on the Chart of Accounts in their respective categories alphabetically. In other

words, in the Income Accounts, an account named Food Pantry will be listed before one called Loose Offering. You will be able to use subtotals to put these accounts in a preferred order for reports.

- If you selected **No** to using account numbers, the screen opens automatically to the Setup Chart of Accounts screen.

If you replied **Yes, you will be using account numbers**, the system will open the screen to allow you to set the account structure.

- Enter the account structure you will use, using the “#” sign to indicate a number and a “.” for decimals between numbers.

Ex: A setup of **###.###** would translate into an account number like this: **1.10.100**.



**All account numbers must have the same number of digits and the same number and position of decimals.** You may use any combination of numbers and decimals totaling 23 – but we hope you don’t: the simpler the account structure, the easier it is to use. You do want to use enough digits to have room for the Chart of Accounts to grow.

- Click **Use this structure** when you have the structure set.

Here is the **Setup Chart of Accounts** screen for a church that will use account numbers in their Chart of Accounts.

## Designing Your Account Numbering Structure

After you have put together your lists of accounts, begin thinking about the *numeric structure* of your accounts. In general, the simpler the structure, the better. If you are not using numbered accounts, you can skip this article. Be aware that if you do NOT use account numbers, the accounts will be displayed in alphabetic order within account type. With account numbers, the accounts will be in numeric order within account type.

- You can decide to *not* use account numbers and then change your mind and start using numbers.
- You can begin using account numbers and decide to not use them at some point in time.
- You can alter your account numbering setup size and configuration at a later date.

In Church Windows Accounting, the account number structure is user-defined: you may use up to 23 spaces as a combination of a maximum of 12 digits and 11 decimal points. The first digit signifies the type of account.

- Asset accounts must begin with a **1**
- Liability accounts must begin with a **2**
- Fund Balance accounts must begin with a **3**
- Income accounts must begin with a **4**
- Expense accounts must begin with a **5**

A small church may want to begin with a four-digit account numbering system, using 1.000 - 1.999 for Assets, 2.000 - 2.999 for Liabilities, 3.000 - 3.999 for Fund Balances, 4.000 - 4.999 for Income, and 5.000 - 5.999 for Expenses.

A larger organization may wish to create a more complicated numbering system, with separate sections of the account numbers signifying different characteristics of the account. For example, 1.234.567.890, where 1 signifies Asset account, 234 indicates a certain account grouping, and 567 and 890 indicate other groupings.

**It is important** to remember that ALL accounts in your Chart of Accounts must have the same number of decimals and digits.

## Assigning Account Numbers

We recommend that you use account numbers unless the number of accounts is very small (less than 50).

Throughout the year, you may wish to add more accounts to your Chart of Accounts. It is, therefore, a good idea to leave space between your account numbers so that more accounts may be added later.

For example, when you first assign numbers, you may wish to assign only numbers that end in "0": 1100, 1110, 1120, 1130, etc. This way, if you need to add an account later, you can assign it an account number that would place it between other accounts already established.

If you are using account numbers, here are some suggestions about your possible numbers –

Let's assume that you have 3 funds:

- 100 - General Fund
- 200 - Building Fund
- 300 - Mission Fund

In each type of account, you could use that fund number within the account structure:

3.100.xxx - General Fund Balance

4.100.xxx - Income Accounts linked to the General Fund

5.100.xxx - Expense Accounts linked to the General Fund

3.200.xxx - Building Fund Balance

4.200.xxx - Income Accounts linked to the Building Fund

5.200.xxx - Expense Accounts linked to the Building Fund

Including the fund number in an account number does not link that account to the fund. You link each 3, 4, and 5 type account to its appropriate fund when you first enter that account into the system. All 3 – Fund Balance accounts, 4 – Income accounts, and 5 – Expense accounts must be linked to a fund.

Some thoughts on the Expense accounts: You could group expenses by function:

5.100.xxx Senior Pastor Salary, 5.100.xxx Senior Pastor Housing Allowance. Then

5.101.XXX Associate Pastor Salary, 5.101.XXX Associate Pastor Housing Allowance.

## Step 3: Design the Funds & Their Accounts

### The Funds

Remember, a fund represents a 'pot of money' that needs to be kept separate from other monies; it will have income accounts to put money into the fund and expense accounts to take money out of the fund. It may have a balance that will carry forward to the New Year

Most churches will have an Operating or General Fund into which and out of which most of the money will flow for church expenses. A church might have no other funds. Other churches will have 5 or 6 funds and still others might have 60 – 70 funds. Church Windows allows you to have up to 999 funds.

Two factors decide whether money needs to be placed in its own fund:

- 1) Will there be money that carries forward to the New Year?
- 2) Do you want to report on this money separate from other monies?

When you answer 'yes' to these two questions, you have a fund!

### **The Accounts Associated with Each Fund**

**Each fund will have one fund balance account and a minimum of one income account and one expense account associated with it.**

- Funds and accounts may be added at any time.
- If you set up a main fund with sub funds under it, the main fund will be considered the 'parent fund' and will have only a fund balance account. The sub funds under it will have the income or expense accounts.
- Remember, using account numbers is optional in Church Windows Accounting.

#### **(a) Fund Balance Accounts – the “3’s”, if you are using numbers in your system**

- Fund Balance accounts tell you how much money is in the fund.
- Each fund will have one fund balance account linked to it. Funds may have sub funds. If so, then there will be a Fund Balance account for each sub fund.
- If you opt not to use numbers, the accounts will be listed on the Chart of Accounts in their respective categories alphabetically.

#### **(b) Income Accounts – the 4’s”, if you are using numbers in your system**

- Income accounts record the ways that money comes into the church for that given year.
- Income accounts are linked to a fund. An income account can only be linked to one fund.
- Each fund will need at least one income account linked to it.
- Most of your income will be donated income from your members, so you will want to have income accounts that will receive the income from the giving accounts in Donations. You might have accounts like these: General Tithes and Offerings, Building Fund Contributions, Education Building Contributions, Mission Contributions.
- You will also need income accounts for non-contributory income. For example: Building Rental Income, Interest Income, Sale of Cookbooks Income.
- If you opt not to use numbers, the accounts will be listed on the Chart of Accounts in their respective categories alphabetically.

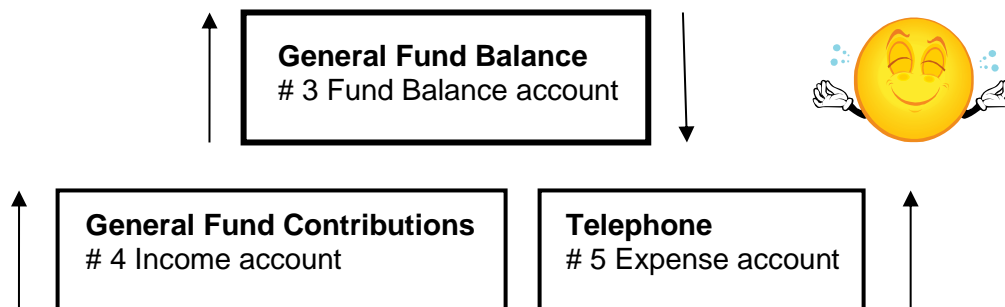
### (c) Expense Accounts – the “5’s”, if you are using numbers in your system

- Expense accounts record the ways money is spent in the current year.
- Expense accounts are linked to a fund. An expense account can only be linked to one fund.
- Each fund will need at least one expense account linked to it.
- Determine what expenses you need to show on reports and set up # 5 accounts for them. You might want to show Utilities Expense, or you might prefer to see Gas Expense, Electric Expense, and Water Expense. You will also need expense accounts for your payroll.
- If you opt not to use numbers, the accounts will be listed on the Chart of Accounts in their respective categories alphabetically.

### The Flow of Money

When money comes in from a contributor or some other income source, the income account balance increases and, automatically, the fund balance account goes up. Because Church Windows is a dual-entry system, the balance of the asset into which the money goes is also automatically raised.

When you pay an expense, like the telephone bill, the expense line item goes up to indicate you spent money for the phone and, automatically, the fund balance account goes down to indicate that the fund has less money to spend. In this case, the balance in the asset would automatically be decreased because you sent money out in the form of a payment.



### Adding a Fund & Its Income/Expense Accounts

The wizard sets up the Funds and their income and expense line items first.

- Enter the **name** of the fund – for example, **General Operating Fund** - and tab off that field.
- It will automatically enter the name for the Fund Balance account – **General Operating Fund Balance**.
- Since we are using numbers, the system has automatically set up a number that begins with a 3 so we simply enter the rest of the number. Ours is **3.10.100**.

The screenshot shows a software window titled "Setup Chart of Accounts". Inside, there's a section "Setting up Main Funds" with three input fields: "Fund Name:" (containing "General Operating Fund"), "Fund Balance Account Name:" (containing "General Operating Fund Balance"), and "Account Number:" (containing "3.10.100"). There's a checkbox "This fund will have sub funds" which is unchecked. Below this is a table titled "Existing Funds:" with columns "Select", "Fund Name", "Account Number", and "Balance Account Name". The table is currently empty. At the bottom left of the window is a button labeled "Delete Selected Accounts".

- **This fund will have sub funds** – a check mark in the box allows you to set up sub funds under this parent fund. If the fund you are adding will have sub funds, see the topic *Adding a Fund with Sub Funds* in the **Accounting I02** training workbook or in the HELP program's **Accounting** manual.

If the fund will not have sub funds, leave the box blank. We leave it blank for this example.

- Click **Add this Fund**.
- The wizard asks, if there will be income accounts for the fund.

A dialog box with a light blue border. The text inside reads: "Will there be Income accounts for General Operating Fund?". At the bottom right, there are two buttons: "Yes" and "No".

- Click **Yes** and the screen changes so that income accounts may be added.

Notice that the name of the fund is in light grey, because it is the fund to which the income accounts are being added.

- Enter the **name of the first income account** and, if using account numbers, tab to the account number box.

The screen is titled "Main Income Accounts for". It has a dropdown menu for "Current Fund:" with "General Operating Fund" selected. Below this are fields for "Account Name:" (containing "General Tithes & Offerings") and "Account Number:" (containing "4.###"). There is a "+ Add Account" button. A checkbox "This account will have sub account:" is also present. At the bottom, there is a table titled "Income Accounts for General Operating Fund:" with columns "Delete", "Account Number", and "Account Name".

Once again, the system has filled in the first number. Since this is an income account, it begins with a 4.

- Enter the rest of the number – we use **4.10.100**.
- If the income accounts you are adding will have **Sub Accounts**, see the topic *Adding Sub Accounts for Income/Expense Accounts* in the **Accounting I02** training workbook or in the Help system's **Accounting** manual.
- Click **Add Account**.

The account is visible at the bottom of the screen.

The screen is titled "Setup Chart of Accounts". It has a dropdown menu for "Current Fund:" with "General Operating Fund" selected. Below this are fields for "Account Name:" and "Account Number:". There is a "+ Add Account" button. A checkbox "This account will have sub account:" is also present. At the bottom, there is a table titled "Income Accounts for General Operating Fund:" with columns "Delete", "Account Number", and "Account Name". A pink callout bubble points to the table with the text: "The 'tree' of our Chart of Accounts." The table shows one entry: "4.10.100" and "General Tithes & Offerings".

- Continue adding income accounts for this fund in the same manner and watch the list grow. You will notice in the next screenshot, we have left room in our account numbering to add other accounts in the sequence later.

- When finished adding income accounts for this fund, click **Finished with Income Accounts for xxx Fund**, with xxx representing the name of the fund you have been setting up.

- The wizard then asks if there will be expense accounts for the fund.

- Funds need expense accounts so that money may be spent out of the fund, so click **Yes**. These accounts record why you spent the money: You pay the company John's Hardware (our vendor) for "Repairs and Maintenance" (our expense account title).

The system is ready to add expense accounts for this fund. If you are using account numbers, all of these will be **# 5 accounts**.

Notice in this screenshot that you could continue without adding the expense accounts at this time and come back to the Chart of Accounts later and add those.

In adding an expense account, the process is the same:

- Add the **account name** and the **account number** if appropriate.
- Click **Add Account**.

This screenshot shows expense accounts added to the General Operating Fund.

You will notice in this screenshot that we left room in our account numbering to add other accounts in the sequence later.

- When finished adding expense accounts for this fund, click **Finished with Expense Accounts for xxx Fund**, with xxx representing the name of the fund you added.
- The system then asks if you wish to add another fund.
- Click **Yes** to add another fund; click **No** if finished adding funds and their accounts.



You are able to add other funds and accounts at any time on the Chart of Accounts screen.

## Step 4: Add the Assets & the Liabilities

### Adding the Assets



The cardinal rule to remember in Church Windows Accounting is that an asset is not a fund.

- **Assets are things the church owns** – checking accounts, savings accounts, CDs, money market accounts, real estate – even an art gallery! You will want one asset for each actual bank account you have.

On the other hand, a **Fund** is an accounting entity set up to fulfill a designated purpose and to keep all its financial transactions separate from other funds. It generally has its own source of funding and its own set of expenses. Its value is shown by the balance in the Fund Balance Account. Its money is stored in an asset.

- **Name each asset according to the banking institution** – for example, Bank One Checking, Chase Investment Portfolio, not General Fund Checking.
- Assets may have sub assets.

If you wish to show the entire worth of the church on a Balance Sheet report, you might want to include:

- **The value of the church and contents**  
Create an asset account called Fixed Assets, or Land & Buildings and Furniture & Equipment. There would then be a fund called Fixed Assets Fund.
- **Checking, savings, or investment accounts controlled by a board or group within the church**  
Perhaps the Women's Group and the Men's Group have their own checking account. If this is part of the cash worth of the church, it can be listed on the Chart of Accounts without taking away from the group the management of the account.

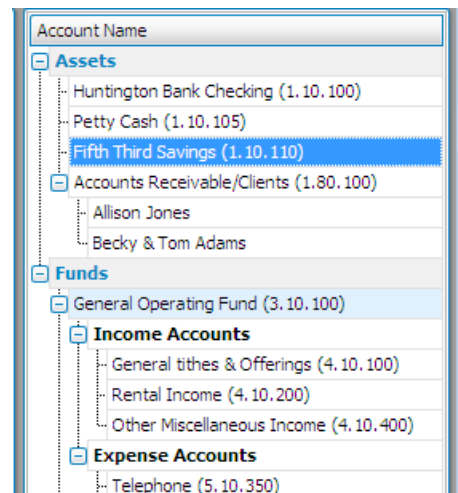
Although it is not necessary to link assets to funds, some churches like to be able to produce a separate balance sheet for each fund. If several funds are co-mingled in one asset, setting up sub assets allows the balance in each asset to match its appropriate fund.

#### To add the assets:

- Add the **account name**.
- Add the **account number**, if you are using numbers in your COA.
- Click **Add Account**.

And the **Tree** grows.

- When finished adding the assets, click **Finished with Asset Accounts**.



## Adding the Liabilities

Using the wizard, the next step is adding the **Liabilities – the ‘2’s’**, if you are using account numbers.

- **Liabilities are things the church owes.** You owe money for the church electric bill. You owe the government money for the 941 withholdings. You might owe money on a mortgage or loan. Liabilities are the accounts that hold the money you are going to send on to someone else.
- Four of the basic uses of liabilities are:
  - **Accounts Payable** – a single account which lists all vendors
  - **Payroll Deductions**
  - **Pass-through Payments**
  - **Loans or mortgages**

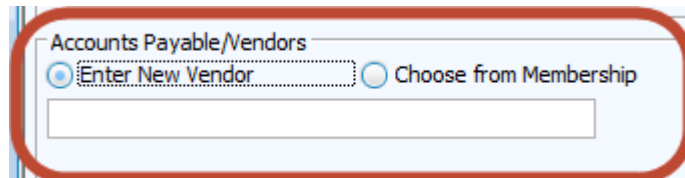
### **Accounts Payable/Vendors**

The first liability you will set up is an account called **Accounts Payable/Vendors**. This liability account, a # 2 account if you are using numbers in your system, will hold the list of vendors with whom the church does business.

- The name appears automatically and, and if using numbers, you will assign it an account number.
- Click **Set Account Number**.

The screen is now ready to accept the names of the vendors with whom the church will do business.

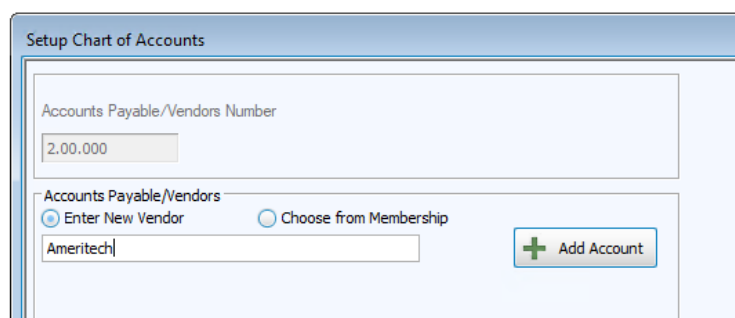
You can enter a new vendor, or if the record exists in Membership, select Choose From Membership and select the name from the drop-down list, or start typing the name and select it from the list.



**Note:** You could click **Continue without adding Accts Payable/Vendor** names at the bottom of the screen and come back later to the Chart of Accounts to add them.

### **To add new vendors:**

- Select **Enter New Vendor**.
- Enter the **name** of the first vendor. We enter **Ameritech**.
- Click **Add Account**.



## To Choose from Membership:

- Select **Choose from Membership**.
- Select the vendor from the drop-down list.
- Click **Add Account**.

Adding an individual from Membership as a vendor will bring over any address/phone/email information from the individual record and then once you finish the Wizard, you can see this information in Manage Giver on the Vendor/Payee tab.

The information shown on the Vendor/Payee tab that is greyed out can be edited directly on the Membership record.

When several vendors have been added, they are listed at the bottom of the screen.

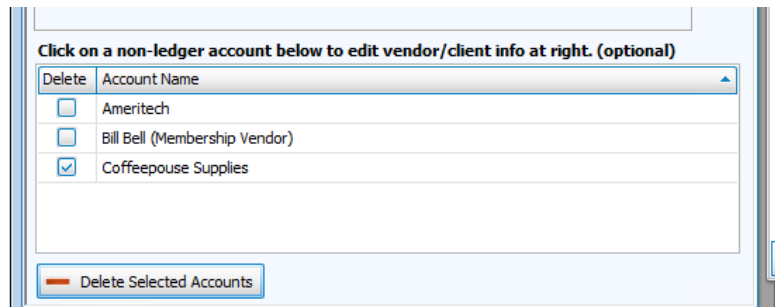
You can enter now or later the vendor information, such as an address so that you can use window envelopes.

- To add the vendor information now, click on the vendor name to open the **Vendor/Payee** information screen.

We recommend adding only those vendors you will use as soon as you begin using the program. Others can be added later as you have bills from them to pay.

Spell something wrong? You can easily delete and re-add that vendor or account. See Coffeepouse in the screenshot below? It should be Coffeehouse!

- At the bottom of the screen, click to place a check mark in the **Delete** box on the account with the error.
- Click the **Delete Selected Accounts** button.

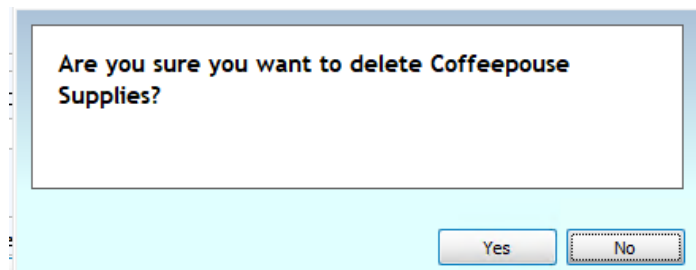


Click on a non-ledger account below to edit vendor/client info at right. (optional)

Delete	Account Name
<input type="checkbox"/>	Ameritech
<input type="checkbox"/>	Bill Bell (Membership Vendor)
<input checked="" type="checkbox"/>	Coffeepouse Supplies

Delete Selected Accounts

The system will confirm the deletion:



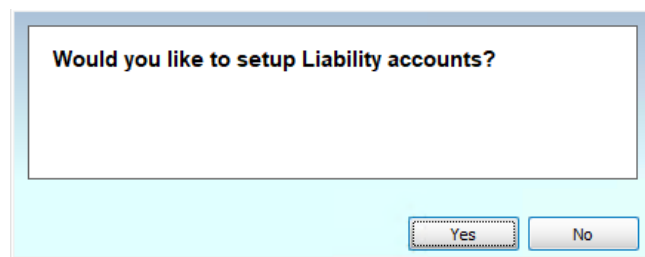
Are you sure you want to delete Coffeepouse Supplies?

Yes No

- Click **Yes** to confirm the deletion, click **No** to cancel it. Now you can re-add it, spelled correctly.

**Note:** You can also elect to leave the account in with its misspelling and correct it later on the Chart of Accounts screen.

- When finished adding the vendors, click **Finished with Accounts Payable/Vendors**.



Would you like to setup Liability accounts?

Yes No

- The system will ask if you are ready to add other liabilities
- Click **Yes** to add other liabilities, click **No** if you are finished adding liabilities.

## Payroll Deductions

- **Sample payroll withholdings might be:**
  - 941 Federal Withholding
  - State Tax Withholdings
  - City Tax withholding
  - Health/Life Insurance
  - Healthcare Spending Account
- You will need a separate liability account for each taxing jurisdiction to which you issue a check for payroll withholdings.

## Pass-Through Accounts

Churches often collect money that needs to be sent out immediately.

For example, a church designates this Sunday's loose offering collection for the marathon for Cancer Awareness in which the youth will be walking. All of this money will immediately be sent on to a designated agency.

**There are three ways of handling pass-through monies:**

1. **Lump all of these monies into one “designated” fund.** Set up separate Donation giving accounts for each project. Contributors can get a giving statement showing their donations. Each project has its own income account and expense account linked to the single fund. *This is most appropriate when all the monies for the projects will be sent out by the end of the year.*
2. **Set up a separate fund for each outreach project.** This is a good method if there will be money left at the end of the year for an outreach project that needs to carry forward to the New Year.

This would be an excellent way to use Sub Funds. Set up an **In/Out Fund** or **Pass-through Fund** with sub funds for each project that will carry a balance forward into the New Year. Each sub fund has its own linked income and expense accounts. The total of the balances of the sub funds would be the total of the balance in the main fund.

3. **Set up a giving account in Donation for each project and link each directly to a liability account by the same name.** The liability account records all the money that comes in and the checks being sent out for that purpose and contributors can get a giving statement showing their contributions. *The money does not show up on the Treasurer's Report because it does not come in as income or go out as expense. Money remaining in the liability account at the end of the year rolls over to the New Year in that account.* A General Ledger run for the liability would show the money coming into and going out of the account. Each project would have its own liability with the appropriate vendor name of the agency to whom the money is going.

This would be a good place to use **Sub Liabilities**. Set up a liability account called Pass-through Accounts. It then has a sub account for each project.



The method used depends upon what kind of detail is needed in reports and whether the money carries over to the next year.

## Example

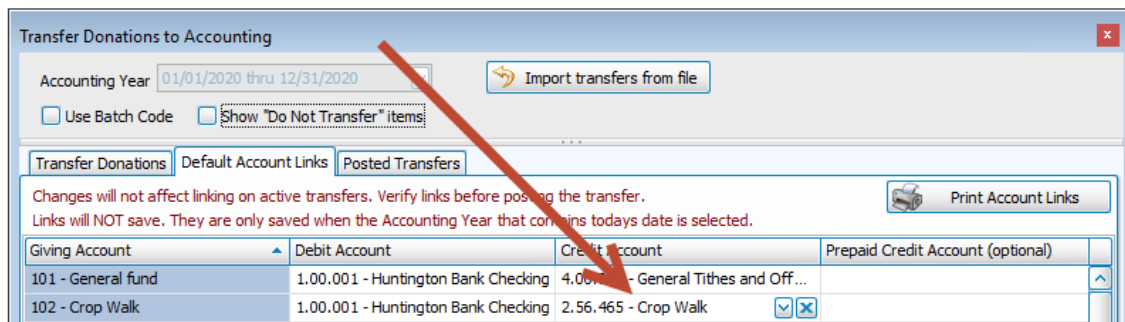
Let's see an example of using a liability for a pass-through: we will use a mission project for **Crop Walk**.

To get here:

- **Accounting**
- **Transactions**
- **Transfer Donations**
- **Default Account Links**



- In **Donations** there would be a **Giving Account** called **Crop Walk**.
- On the **Transfer Donations to Accounting** screen, on the **Default Account Links** tab, the giving account is linked to a **liability** also called **Crop Walk** and to the **Asset** into which monies are deposited.



Transfer Donations to Accounting

Accounting Year: 01/01/2020 thru 12/31/2020

☐ Use Batch Code ☐ Show "Do Not Transfer" items

Import transfers from file

Transfer Donations | **Default Account Links** | Posted Transfers

Changes will not affect linking on active transfers. Verify links before posting the transfer.  
Links will NOT save. They are only saved when the Accounting Year that contains today's date is selected.

Print Account Links

Giving Account	Debit Account	Credit Account	Prepaid Credit Account (optional)
101 - General fund	1.00.001 - Huntington Bank Checking	4.00.001 - General Tithes and Off...	
102 - Crop Walk	1.00.001 - Huntington Bank Checking	2.56.465 - Crop Walk	<input checked="" type="checkbox"/>

- When the money donated is transferred to Accounting, it flows directly into the liability account and we will go to **Pay Bills** to write a check to send the money on to the agency.
  - If your money always goes to the same agency – perhaps the regional Crop Walk agency or through the district offices of your church – the vendor/payee tab for that liability would contain the mailing information for the agency.
  - If your money goes to different agencies, perhaps in the case of disaster relief, the various agencies would be set up as Accounts Payable vendors and the appropriate amount would be transferred to that vendor's account to be sent out.

By running a **General Ledger** report for the liability account, we can see the money coming into the account and the money going out of the account but have by-passed the need for a fund and its corresponding accounts.

Remember that this money will not show on the Treasurer's Report because it is not being treated as income and expense.

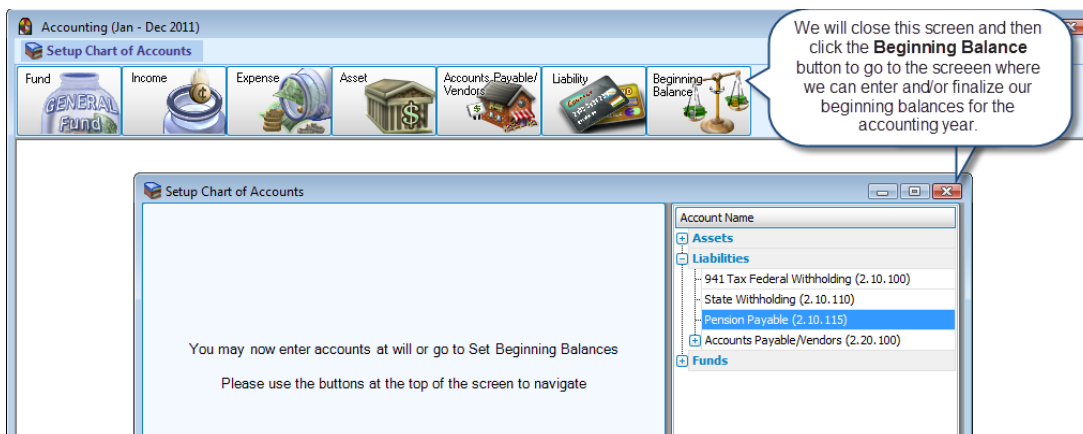
41st Church of Anytown - Columbus OH							
General Ledger as of September 2014							
Account #	Account Name			Balances:			
Date Occurred	Trans #	Type	Primary Bal. Acct.	Amount	Check #	Beg Run/End	Line Item Comments
2.30.000	Pass Through Accounts					60.00	
2.30.020	Crop Walk					45.00	
02/16/2014	95	DONA	Huntington Bank Checking	232.00		277.00	
02/21/2014	149	PYMT	Huntington Bank Checking	(150.00)	3591	127.00	
08/17/2014	313	DONA	Huntington Bank Checking	187.00		314.00	
09/21/2014	318	PYMT	Huntington Bank Checking	(314.00)	6501	0.00	
				(45.00)		0.00	
Amounts in other liabilities and pass through accounts as of this date.						60.00	
						(\$85.00)	

## Loans or Mortgages

- Liability accounts can be used to show the balances due on loans or mortgages.
- Depending upon how you want to handle it, the balance in the liability (#2 account) may be reduced each time a payment is made and the balance in the equity account (the fund balance (#3) account for the fund representing the asset) can go up.

**Note:** If you would like more information on loans and mortgages, go to [www.churchwindows.com](http://www.churchwindows.com). Click the magnifying glass in the upper right and type Loans then Enter. Select the document titled *Loans and Mortgages*

➤ Click **Finished with Liability Accounts** when finished adding liabilities. After adding in the liabilities, the system will provide this screen:



- We need to set the beginning balances, so we click the **Beginning Balance** button at the top of the screen.

### Step 5: Set Beginning Balances

Whether you converted to Accounting from CW Financial or are new to using Church Windows, you will need to enter or finalize beginning balances.



If you have a balance sheet from your previous system and it was in balance as of the end of the year, you will enter the balances.

If you did not have a formal balance sheet and are new to CW, the following is a discussion of what the beginning balances should represent.

- **Assets (1's):** The beginning balance for any checking/savings account will be the reconciled balance of that account. If you are entering your balances as of the first day of your accounting year, this is equal to the balance on the bank statement as of the last day of the prior calendar or fiscal year plus any outstanding deposits and minus any outstanding checks.
- **Liabilities (2's):** Enter a beginning balance for any liabilities that should have one. For example, you might owe taxes for the 941 Federal Withholding or state income taxes that have been withheld but not remitted. There could also be other payroll withholdings, such as pensions or health insurance.
- **Fund Balances (3's):** The net assets (Assets minus Liabilities) need to be distributed across the fund balance accounts. So, if you have only one fund, a checking account that holds \$15,000 and a 941 liability with a \$1,000, then the Fund Balance account would have a beginning balance of \$14,000 in it. If you have multiple funds, which most churches do, then you must determine how much each fund should have at the beginning of the year.
- **Income (4's) and Expenses (5's):** At the beginning of a year, the income and expense accounts should have a **zero** balance. If you are beginning to use the Church Windows Accounting module **other than at the beginning of the year**, you have two options:
  - The Income and Expense accounts will be available and may be given a beginning balance reflective of the income or expense totals for that item thus far.
  - You may leave the beginning balance for the income and expense accounts at zero and enter transactions to reflect the income brought in and the expenses charged thus far.

The **Beginning Balance** screen opens.

Account Number	Account Name	Beginning Balance (DR)	Beginning Balance (CR)
1.10.100	Huntington Bank Checking	0.00	
1.10.105	Petty Cash Account	0.00	
1.10.108	Fifth Third Money Market	0.00	
-A/P Vendor -	Columbia Gas		0.00
-A/P Vendor -	Hallie Wilson		0.00
2.10.100	941 Taxes Payable		0.00
2.10.110	State Taxes Payable		0.00
2.10.120	City/Country Taxes Payable		0.00
2.80.100	Prepaid Pledges		0.00
3.10.100	General Fund Balance		0.00
3.20.100	Building Fund Balance		0.00
3.25.100	Education Building Fund Balance		0.00
Total Debits/Credits:		\$0.00	\$0.00

You may begin using Accounting with balances as of the beginning of your fiscal year or with balances as of a date within the year.

At the top of the screen, we see:

- If you are beginning to use Accounting as of the start of your fiscal year and will be entering all the transactions for the year, the radio dot will remain in the top entry: **01/01/20xx** or whatever date represents the beginning of your fiscal year.

**You will start with the beginning balances for the year in the 1's - Assets, 2's - Liabilities and 3's - Fund Balances.**

- If you opt to begin with balances at a mid-year point, click to put the radio dot in the entry **After 01/01/20xx**, with xx representing the current fiscal year.
  - You will put in beginning balances for the **1's - Assets, 2's - Liabilities, and 3's - Fund Balance** accounts, or
  - You will then enter a beginning balance for all accounts, including Income and Expense accounts, using a year-to-date figure.

### **(A) Beginning Balances entered for start of fiscal year**

Using the end-of-year figures from your old system,

- Key the balances in the appropriate line for each **asset, liability and fund balance** account. You see the beginning balances we have entered here.

Account Number	Account Name	Beginning Balance (DR)	Beginning Balance (CR)
1. 10. 100	Huntington Bank Checking	15,000.00	
1. 10. 105	Petty Cash Account	100.00	
1. 10. 108	Fifth Third Money Market	20,000.00	
-A/P Vendor-	Columbia Gas		0.00
-A/P Vendor-	Hallie Wilson		0.00
2. 10. 100	941 Taxes Payable		1,000.00
2. 10. 110	State Taxes Payable		325.00
2. 10. 120	City/Country Taxes Payable		157.00
2.80. 100	Prepaid Pledges		618.00
3. 10. 100	General Fund Balance		10,000.00
3. 20. 100	Building Fund Balance		15,000.00
3.25. 100	Education Building Fund Balance		8,000.00
Total Debits/Credits:		\$35,100.00	\$35,100.00

The church will now add all the income and all the expenses for the current year to date as transactions in the system.

### **(B) Beginning Balances entered for beginning mid year**

In this example, the church has decided NOT to enter transactions that have already occurred into the new financial system. They will use reports from the old system for the months in which those transactions occurred.

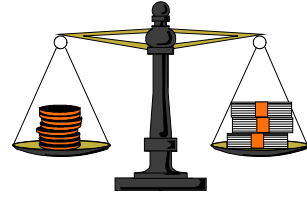
- That church clicks to place the radio dot in **After** **XX/XX/XXXX**, with the Xs representing the month, day and year that begins the fiscal year.

Balances will be entered as of the current date or date you are starting to use the system. So it might be as of 06/30/2014.

Account Number	Account Name	Beginning Balance (DR)	Beginning Balance (CR)
1. 10. 100	Huntington Bank Checking	0.00	
1. 10. 105	Petty Cash Account	0.00	
1. 10. 108	Fifth Third Money Market	0.00	
-A/P Vendor-	Columbia Gas		0.00
-A/P Vendor-	Hallie Wilson		0.00
2. 10. 100	941 Taxes Payable		0.00
2. 10. 110	State Taxes Payable		0.00
2. 10. 120	City/Country Taxes Payable		0.00
2.80. 100	Prepaid Pledges		0.00
3. 10. 100	General Fund Balance		0.00
3. 20. 100	Building Fund Balance		0.00
3.25. 100	Education Building Fund Balance		0.00
4. 10. 100	General Tithes & Offerings		0.00
4.20. 100	Building Fund Donations		0.00
4.25. 100	Education Building Donations		0.00
5. 10. 500	Electricity	0.00	
Difference Between Income and Expense:		\$0.00	
Total Debits/Credits:		\$0.00	\$0.00

## Balancing

To put your system in balance, the amounts in the two columns **MUST** match to the penny.



If we look at a Balance Sheet report, then, we would see that:

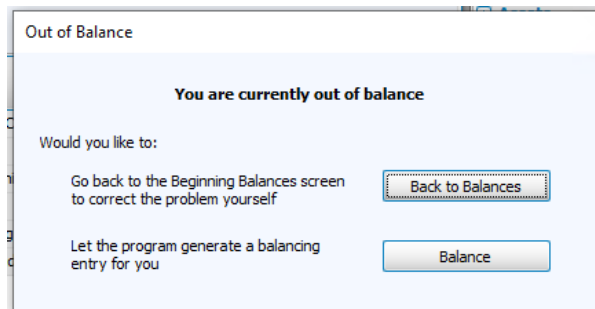
$$\text{Total Assets} = \text{Total Liabilities} + \text{Total Fund Balances}$$

If the two columns match, you now have 2 choices:

- Click to **Finalize Beginning Balances**. If you are comfortable that the balances entered in are accurate, click to finalize them. Once beginning balances have been finalized, they may not be changed.
- Click to **Save the Beginning Balances** and finalize them later. If you would like to work with these balances but have the ability to change them if you need to, click to save the balances. The beginning balances for this year will need to be finalized prior to opening the next accounting year.

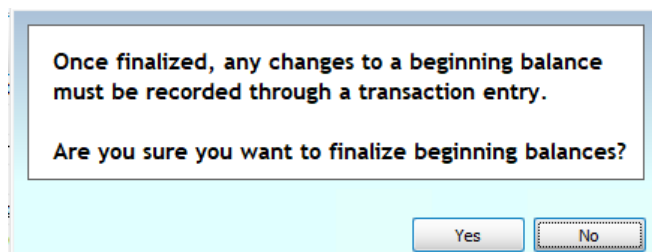
If the totals in the Balance Sheet Totals line do not match and you click **Finalize Beginning Balances**, the system will give you the following message:  
You can either adjust the beginning balances yourself or let the system do it for you.

- If you click **Back to Balances**, you will adjust the beginning balances on the screen to bring the two columns into balance.
- If you click **Balance**, the system will set up either an asset account, a liability account (depending on whether debits or credits are higher) or a fund balance account that will be labeled **To Balance** and will enter a beginning balance in that account.



You can come back later, and, using a Journal Entry, adjust the balance. That Balance account would remain on the Chart of Accounts until you open the New Year.

- When balanced, click **Finalize Beginning Balances**.





**Note:** Once beginning balances have been finalized, they may not be changed.

- Click **Yes** to confirm the finalization and the **Imagemap** screen opens.

If you are not ready to finalize the beginning balances for the year but need to begin entering transactions, click **Save Balances**.

Balance Sheet Totals:	\$35,100.00	\$35,100.00
<input type="button" value="Finalize Beginning Balance"/> <input type="button" value="Save Balances"/>		

- Click **Save Balances** to save the balances entered in.
- Click the **"X" in the red box** in the upper right corner to close the screen.
- Every time you open Accounting, the Beginning Balance screen will pop up to remind you that the beginning balances for the year have not been finalized. Click to close the screen if you are not ready to finalize the balances.
- You **MUST** finalize the beginning balances prior to opening the next fiscal year.

When closed or when you have finalized the beginning balances, you will see the **Imagemap**, the opening screen in Accounting.

Setting up the Chart of Accounts is very important to your future use of the Accounting module. The time spent in setup is greatly rewarded in the ease of use and helpful reporting later. Remember to work everything out on paper first. For more information, see *Chart of Accounts* in the Help systems **Accounting** manual.



The Chart of Accounts now has Assets, Liabilities, Fund Balances, Income and Expenses – good!

