



## Introduction to Financials and Contributions

### **Fund Accounting Tracking the Money**

CahabaWorks' financial module fully supports funds-based accounting. This means that the church's money is tracked by funds (i.e. general fund, building fund, mission fund). A fund is simply a collection of financial accounts used to track the flow of money, income and expense, for a given area of the church. Funds ensure that money is spent in a manner consistent with the giver's intentions.

When you set up CahabaWorks, you will create the funds you need to track each category of money. CahabaWorks will automatically generate the necessary financial accounts to support each fund. These financial accounts may be viewed in the Accounting view, but you will typically not be concerned with them.

To understand CahabaWorks fund accounting, you need to understand the different types of funds. So let's look at some of the terms used in CahabaWorks financials.

#### **Balance Funds**

Balance funds are the high-level funds used to track finances. One may think of a balance fund as a large bucket of money used for a major division of the church.

A balance fund is set up for each major division of the church. A 'General Fund' is typically set up for the general administration of the church. This fund tracks the monies that are used to run the day-to-day activities of the church: payroll expense, utilities, office supplies. Divisions of the church that run more or less independently are typically placed under their own balance fund to better track and manage the financials of that division. Daycare and church schools are examples of these divisions.

Churches often set up balance funds to manage the monies for special projects that need detailed income and expenses tracking. Building funds are prime examples of this type of project.

#### **Unrestricted versus Restricted Money**

Fund accounting is designed to meet the requirements of non-profit organizations who get their funding from donations. Donors give to a purpose or cause. All money received by a non-profit organization, such as a church, falls into one of two categories, unrestricted or restricted. For this reason, the first level of accounts automatically created for a balance fund by CahabaWorks are named to reflect whether money was

restricted (designated for a purpose by the donor) or unrestricted. The funds are named Unrestricted and Restricted funds to reflect these categories.

When giving money, donors can simply give without any restriction, allowing the organization to determine where the money is needed most. This money will be tracked in an Unrestricted Fund. CahabaWorks supports Income Tracking Funds as sub-funds of Unrestricted Funds. Donors, however, have the ability to designate where they want their money used. Churches are required to track this designated money and use it appropriately. CahabaWorks supports Dedicated Funds as sub-funds of Restricted Funds.

#### **Income Tracking**

You may need to know where unrestricted money came from (e.g. Tithes & Offerings, Interest Income). CahabaWorks provides income tracking accounts for this. Income tracking accounts enable detailed tracking of the source of income to a fund. Income tracking accounts fall under the Unrestricted fund.

#### **Expense Tracking**

When we talk about unrestricted money, a primary concern is tracking where the money is being spent. This is done with expense accounts. Expense accounts provide a

means to track, in detail, what money is spent on. Expense accounts can be grouped to allow for any level of detail needed. For example, one can put all utilities under a single 'Utilities' expense account or sub-accounts could be defined under the 'Utilities' account to track electricity, gas and water. Expense Accounts fall under the Unrestricted fund.

#### **Dedicated Funds**

When money is designated by the donor for a particular purpose, it becomes restricted. This money must be tracked to ensure that it is only spent for the purpose specified or designated by the donor. Dedicated funds fall under the restricted fund to track this money. Since the main concern with designated money is to ensure that it is not misappropriated, dedicated funds act as both an income and expense account. This means you cannot create multiple expense accounts for tracking expense details. Any details concerning expenditures must be tracked by the memo/description on the fund entry. The money in Dedicated funds is not classified as income and will not appear on the Income Expense report of the church.



Balance Fund  
 Unrestricted Funds  
 Expense Accounts  
 Income Tracking Funds  
 Restricted Funds

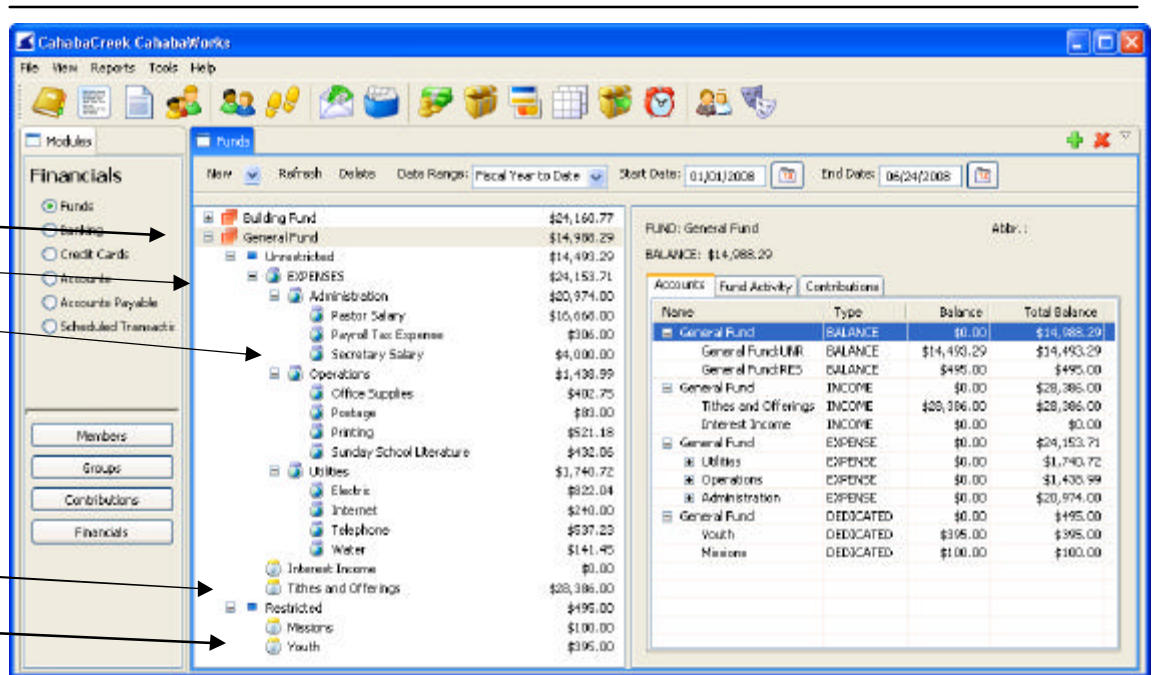


Figure 1: Funds View Showing 'General Fund'

**What is a FUND?**

A fund is a collection of accounts used to track the flow of money.

All money received by a non-profit organization, such as a church, falls into one of two categories, **UNRESTRICTED** or **RESTRICTED**.

**NOTE:** You may use a balance fund for tracking designated monies if you wish to use the detailed expense tracking capabilities of these funds. For example, if a church had a large mission focus, a balance fund could be used to track the church's mission expenses in detail. However, as a result of this approach, this "income" would appear on the Income and Expense report for the church. This is often not desired since this money is not available for typical expense or budgeted items.

**Working with Funds**

We now have all we need to track where we are spending our money and to ensure that designated funds are spent appropriately. Balance funds, income tracking and expense accounts are viewed and created on the Funds view of the Financials panel. Figure 1 shows an example of a 'General Fund' for tracking the finances for the day-to-day running of the church.

**DEDICATED FUNDS** are designed to track unplanned and thus unbudgeted monies.

In this screen shot of the CahabaWorks' Funds View, the hierarchy of balance funds, sub-funds, income tracking and expense accounts can be seen. You can also see the detailed income tracking and expense accounts that have been created. Clicking an item will display the details or associated accounts in the rightmost panel.

**Budgets**

One of the major reasons expenses are categorized in detail is to provide for budgeting. As shown in Figure 2, CahabaWorks can capture projected budget numbers for Income Tracking Funds and Expense Accounts. Reports are available to help monitor how the church finances are tracking with budget projections.

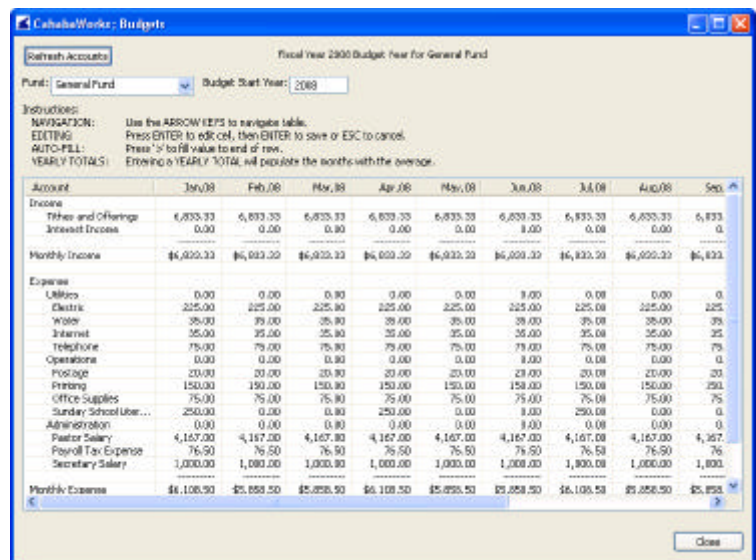
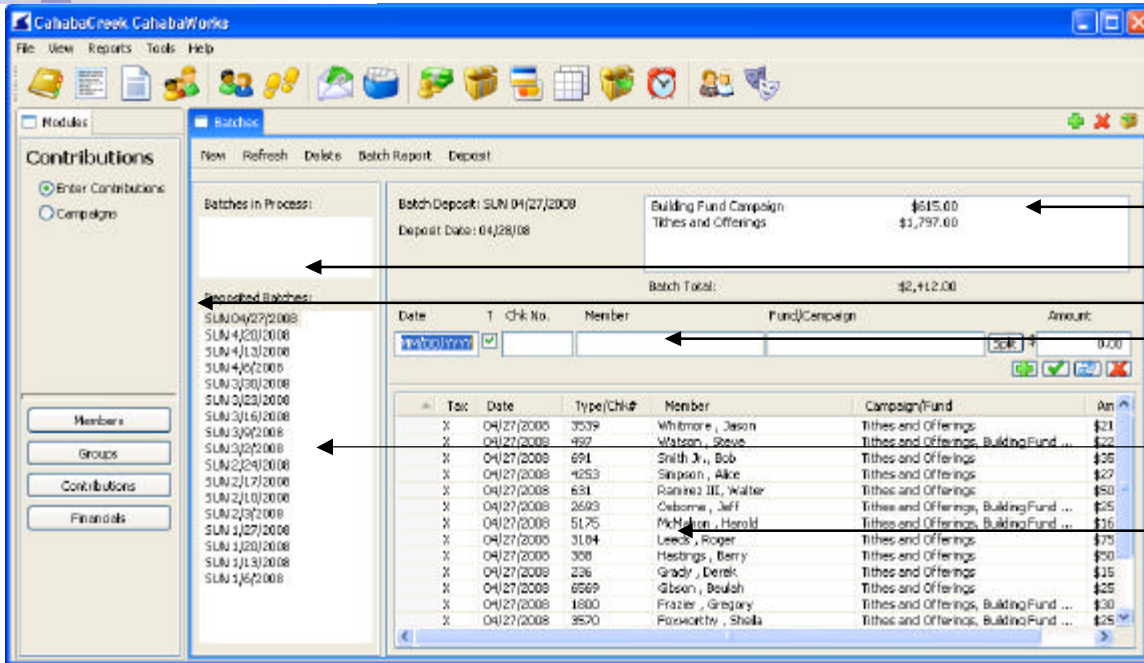


Figure 2: The Budget Screen



Batch Summary  
 Open Batches  
 Contributions Entry Line  
 Deposited Batches  
 Contributions in Selected Batch

Figure 3: Contributions View

## Contributions

Now let's look at how we get money into a fund. For a church, contributions from members are the main source of income. CahabaWorks provides a Contributions module to manage contributions and pledges.

### Batches

To manage the entry of contributions, CahabaWorks defines the concept of a batch. A batch is a collection of member contributions and is designed to correspond to a bank deposit. Each entry in a batch represents a contribution by a member to a fund or campaign. Anonymous Cash is a special member for tracking anonymous contributions.

A typical process would be to create a batch representing a bank deposit. For example, if a church deposits all of Sunday's contributions on Monday, a batch named 'Sunday 07/08/07' could be created to record these contributions. Sunday's contributions would be entered into

this batch.

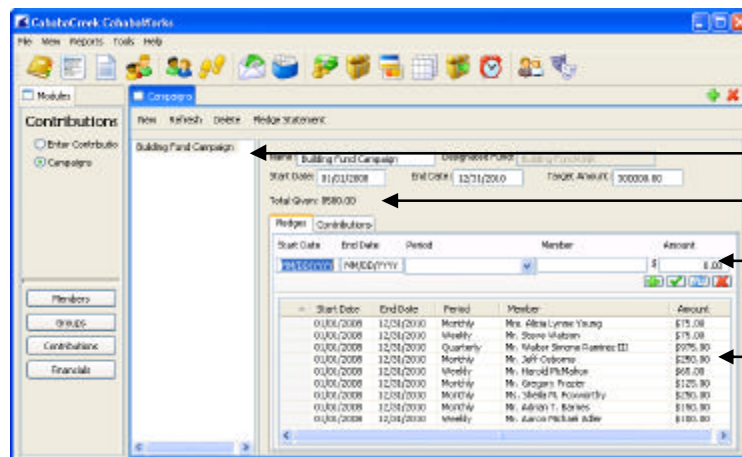
As contributions are entered, the batch displays the fund totals to aid in verification. Once all contributions for the batch are entered, the batch can be deposited into a bank account.

Configuring CahabaWorks so that batches are automatically deposited into a bank account ensures that the contribution information matches up with the actual financials of the church. You may choose to close batches and manage your bank

deposits separately. If you do this, you will need to manually ensure that your contribution information remains in balance with your financial accounts.

Once a contribution is entered into the batch register, the contribution will appear on the member record and in the fund's contributions list even though the batch has not been deposited. However, the fund balance will not reflect the effects of the contributions since the batch has not been deposited. The fund balances will be updated when

A **BATCH** is a collection of member contributions and is designed to correspond to a bank deposit.



Campaigns  
 Total Given  
 Pledge Entry Line  
 Pledges to Campaign

Figure 4: Campaign View

CHECK PRINTING is another option available in CahabaWorks.

the batch is deposited into the bank account.

### Campaigns

To provide management and tracking of fund raising efforts, CahabaWorks provides campaign functionality. Campaigns are defined by a begin and an end date, a target amount and a target fund. This can be seen in the Campaign view shown in Figure 4.

When entering campaign contributions, the user does not need to know into what fund the campaign money should go. CahabaWorks will place the money in the appropriate fund.

### Pledges

Another feature of the campaign functionality is the ability to enter pledges for members. Pledges are, in a sense, promissory notes made by members to the church. CahabaWorks provides a set of reports that help the church track pledges and the fulfillment of pledges.

## Banking

CahabaWorks provides a typical checkbook register for a bank account (i.e. checking, savings). This is a straight forward and intuitive approach. The register captures when the payment was made, the payee (vendor), the amount and the expense account from which the money should be taken. Typically, a check is written for an expense and, thus, entered against an expense account. The ability exists to split a check, entering it against multiple expense accounts (e.g. if your phone company provides your Internet service on the same bill with your phone charges).

The register is designed to handle all bank account needs, therefore, it has the ability to handle a variety of transactions (checks, deposits, bank charges, etc). Money that comes into the church but is not a contribution, such as rebates, can be entered directly into the register.

## Printing Checks

If you write checks manually, the check number is entered when the check information is entered. You may also print checks directly from CahabaWorks. In this case, the check is entered as TBP (To Be Printed). The check number is assigned during the check printing process.

## Reconciliation

Another feature of the register is the ability to reconcile the account to a bank statement. Once bank account entries are reconciled, these entries can not be edited in a manner that affects the total amount. This means that member contributions associated with a batch may not be updated in such a way as to change the value of a reconciled bank deposit.

## Credit Cards

Credit Card accounts are a special type of liability account. CahabaWorks provides a register for credit card accounts simi-

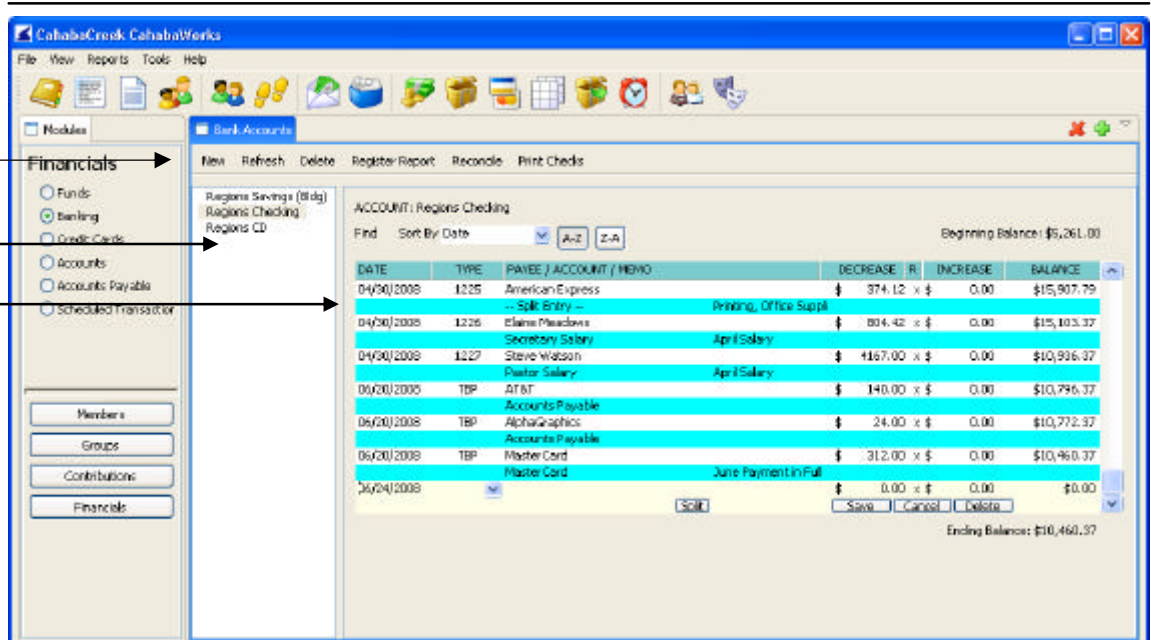


Figure 5: Bank Register

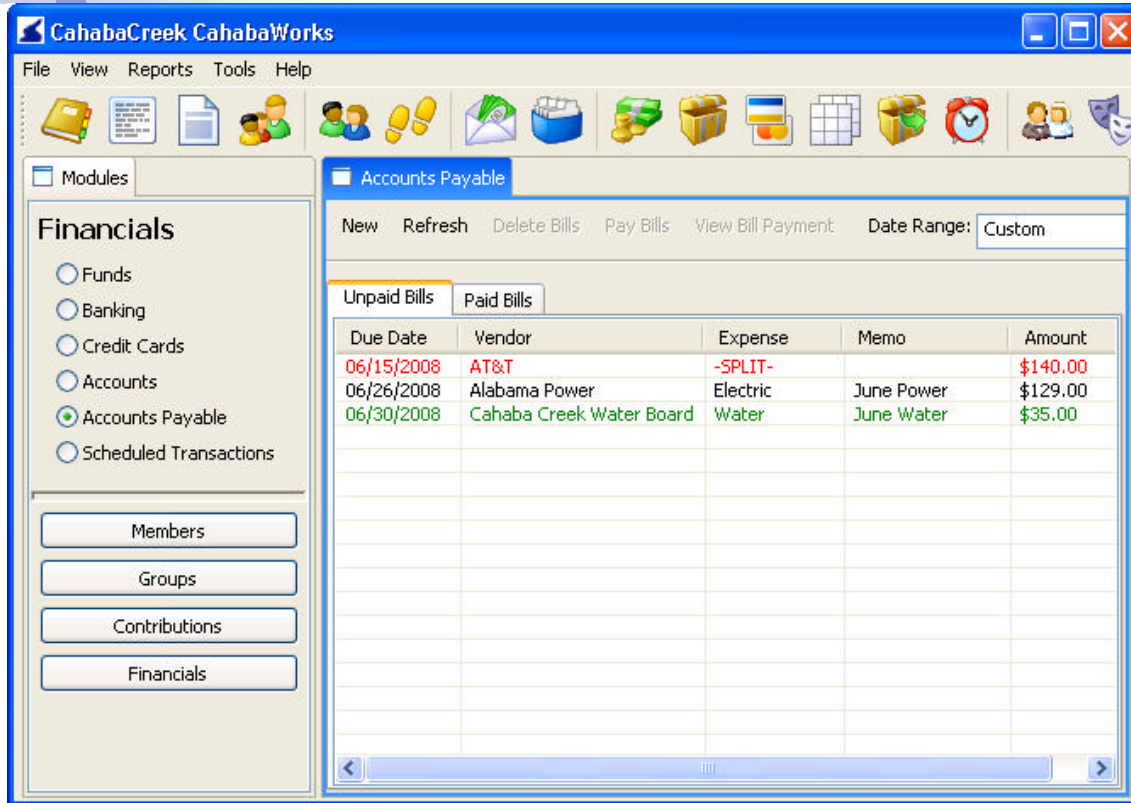


Figure 6: Accounts Payable

lar to the check register. The register allows you to capture when the charges are made, the payee/vendor, the amount and the expense account from which the money should be taken. You may also record payments for credit card bills and indicate the bank account from which the payment should be deducted. Typically, a charge is an expense and is entered against an expense account. The ability exists to split a charge, entering it against multiple expense accounts.

The register is designed to handle all credit card account needs, therefore, it has the ability to handle a variety of transactions (charges, credits, fees, payments, etc). You may enter your charges directly into the register.

A credit card account may also

be reconciled against your statement in a similar manner to bank accounts reconciliation.

Charges recorded to a credit card account against a fund will affect the fund balance based on the date of the charge (not a payment date). If you do not wish to have your fund balances affected until you pay your bill, you should adjust the transaction date accordingly.

**NOTE:** Please be aware that if you do not pay your bill in full, the fund balances will still reflect the charges that have been entered. The bank account balance, of course, will still maintain the equity necessary to balance against those fund charges. In effect, you will see on your financial statement that you have more cash than your fund balances reflect.

## Accounts Payable

As mentioned earlier, checks can be created directly in the register to cover expenses. Another approach to bill payment is to use the Accounts Payable system.

### Managing Bills

The Accounts Payable feature enables bills to be entered into the system as they are received but not paid until due or until a bill payment date.

A bill entered into Accounts Payable will contain much of the same information as a check: who to pay, how much and what expense account to charge it to. But bills are different in that they can be recorded for the due date without impacting the bank account.

**ACCOUNTS PAYABLE** allows you to enter bills into the system as they arrive and defer payment until the due date.

**CREDIT CARD ACCOUNTS** are available for managing charged transactions.

Account Views  
 – Income/Expense  
 – Dedicated  
 – Balance  
 – All Accounts

Account List

Selected Account  
 Detail Entries

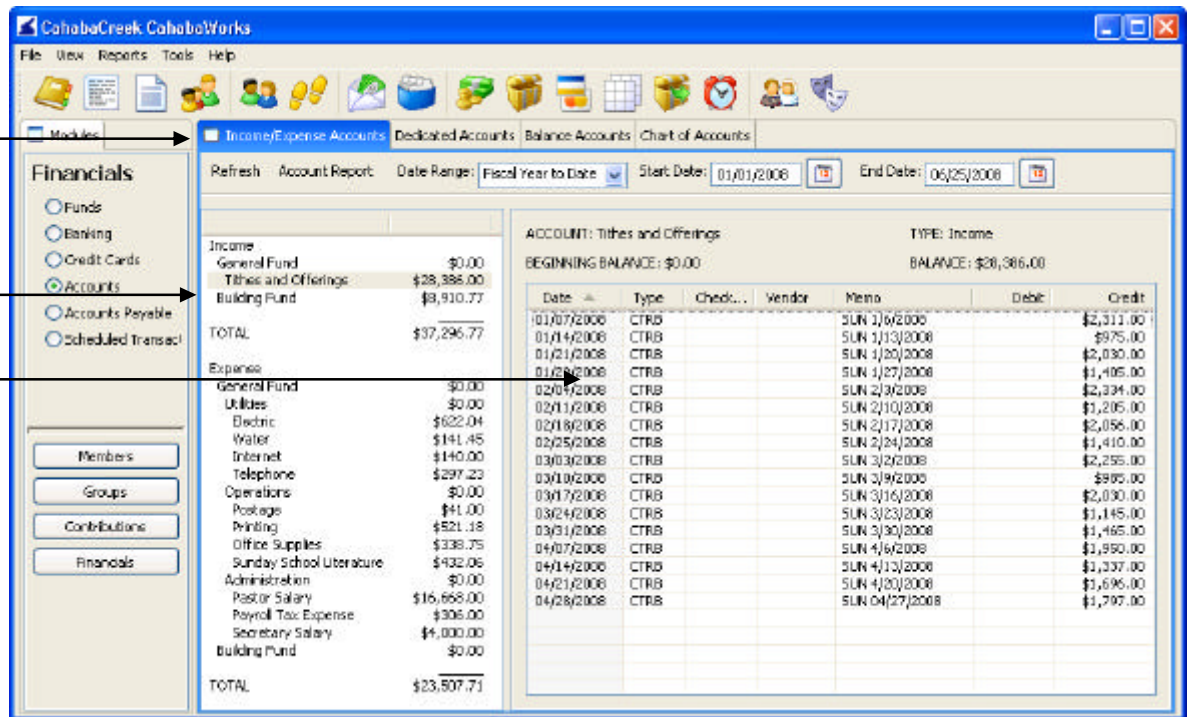


Figure 7: Income Expense Accounts View

CahabaWorks gives you as much access as you need to the details of the accounts system.

When the bills in accounts payable are due, the system will visually indicate that the bill is due. Bills that are due are displayed in black. Bills that are past due are displayed in red and bills that are not yet due are displayed in green.

Paying bills from accounts payable is a simple process. You select the bills you wish to pay and click the Pay Bills button. CahabaWorks will generate the check(s) in the bank account you designate as TBP (To Be Printed). You can then go to the bank register and print them out (or assign check numbers).

**NOTE:** Because Accounts Payable is a liability account, entries entered there impact your fund balances on the due date. This is because you have reserved this money from that fund for the bill payment. The expense will show up in any expense reports that include those due dates.

## Accounts

### View Accounting Details

As mentioned earlier, fund-based accounting is a means to tracking money via high-level funds instead of getting into the complications of the account details. However, sometimes you need (or want) the details. Whether it's an accountant auditing your books or you are researching a problem, CahabaWorks provides full access to the details of the accounting system.

Through the various account views, all of the accounts of the system can be viewed, including individual account entry details.

### Income/Expense

The Income/Expense view displays all income and expense accounts within the system. Remember, we are now out of the Funds account format and strictly seeing financial ac-

counts. This means that all expense and income accounts, no matter what fund they are associated with, will be shown. This view is analogous to the Profit and Loss report of a for-profit company.

### Dedicated Accounts

To view how much restricted or dedicated money is available, the Dedicated accounts view displays all dedicated accounts within the system

### Balance Accounts

The balance accounts view displays the accounts grouped by equities and liabilities of the church. If everything is entered correctly, total equities should equal total liabilities. Income and expense accounts are not balance accounts. The church "profit," income less expenses, is reflected in the balance accounts. These are your carry over fund balances.

### Chart of Accounts

Finally, the chart of accounts

view displays all the accounts in the system grouped by account type. From this view, some special accounts that are not related to funds can be created. These additional accounts are used to complete the church's financial health in the balance sheet.

### Tracking Assets, Liabilities and Equity

You may create and manage asset, liability and equity accounts to manage your non-cash assets, debt and equity from the Chart of Accounts view. Asset accounts are used to hold the value of church assets (other than cash). For example, buildings, land and vehicles. Liability accounts are used to hold the outstanding balances of loans and Equity Accounts are used to hold the value of the equity you have in your assets. For example, if you have a church building listed as an asset valued at \$800,000, which has an outstanding loan balance of \$600,000, you should create a liability account for the \$600,000 loan and an equity account for the \$200,000 equity you have in the property. These accounts will balance with the \$800,000 shown in the asset account. Using these accounts allow the balance sheet to reflect the complete financial picture of the church. Adjustments to these accounts can be made as necessary using Adjusting Entries (AJEs).

### Transferring Money

You will sometimes need to move money from one account to another. CahabaWorks provides two special Tools that are accessed from the main window Tools menu; the Fund Transfer and Adjusting Entry features allow users to move money around to correct past mistakes or cover unforeseen situations.

For a simple transfer of money between funds to cover shortfalls, the Fund Transfer feature is all that is needed.

The Adjusting Entry feature provides for more complex entries that require corrections or entries directly into the low-level accounts. The Adjusting Entry feature provides the power to do whatever is necessary to fix a problem. Adjusting entries can also be used to create transactions that fall outside the normal scope of contribution entry and bill payment. For example, churches that outsource payroll may require accounting entries to properly allocate payroll expenses.

**CAUTION:** CahabaWorks is designed to maintain the integrity of a dual entry accounting system. CahabaWorks ensures that credits and debits are distributed correctly within the system. Misuse of the Adjusting Entry feature may compromise the system's integrity.

## Scheduled Transactions

### Payment Reminders

Payment reminders may be set up in the Scheduled Transactions view. These reminders are for recurring payments that you wish the system to keep track of. Payment reminders differ from the bills you record in Accounts Payable in that they do not affect the fund balances until they are paid (posted into a bank account). Payment reminders are just that—they have no impact on your financial statements. They help you remember when payments are due and provide a shortcut to entering them into the bank register (you simply select the reminder and

click Pay). When you use a payment reminder to pay a bill, they will appear in the register as TBP (to be printed). You may print the check or enter a check number.

## Reports

CahabaWorks provides a variety of reports that allow you to get printed information about your Financials and your Contributions.

### Financial Reports

- Account Entry List
- Account Registers
- Account Transactions
- Activity by Fund
- Budget
- Chart of Accounts
- Dedicated Accounts
- Funds Balances
- General Ledger
- Income and Expense
- Reconciliation Details
- Statement of Financial Position
- Trial Balance
- Vendor List
- Vendor Payments

### Contribution Reports

- Batch Report
- Campaign Statement
- Contributions by Fund
- Contributions by Member
- Contribution Letters
- Contribution Summary
- Households not Pledging
- Members not Pledging
- Pledge Performance
- Pledge Statement

The **ADJUSTING ENTRY** provides for more complex entries that require corrections or entries directly into the low-level accounts.

### PAYMENT REMINDERS

make it easy to remember recurring expenses and easy to enter recurring transactions.





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