



Finance

Training Manual

Introduction to Finance Module

Shepherd's Staff Finance module lets you keep track of your church's financial information.

This manual will walk you through setting up a chart of accounts, working with transactions, and running reports of your financial status.

Introduction to Finance Module

The Finance module allows you to maintain records of your church's financial transactions. Common tasks include making deposits, printing checks, completing journal entries, and viewing reports.

- ① Funds
- ② Accounts
- ③ Deposits
- ④ Checks
- ⑤ Journal Entries
- ⑥ Recurrent Transactions
- ⑦ Vendors
- ⑧ Purchase Orders
- ⑨ Reports
- ⑩ Print Checks
- ⑪ Calculator
- ⑫ To Do...
- ⑬ Finance Tree
- ⑭ Church Dashboard
- ⑮ I Want To . . .



“I Want To . . .” Screen

This window is designed to be a quick shortcut to some of the more popular tasks within the module you are currently in. If you would like to turn off the “I Want To . . .” Screen, you can do so by clicking Desktop on the file menu and making sure “Show the ‘I Want To’ helper on start up” box is unchecked.

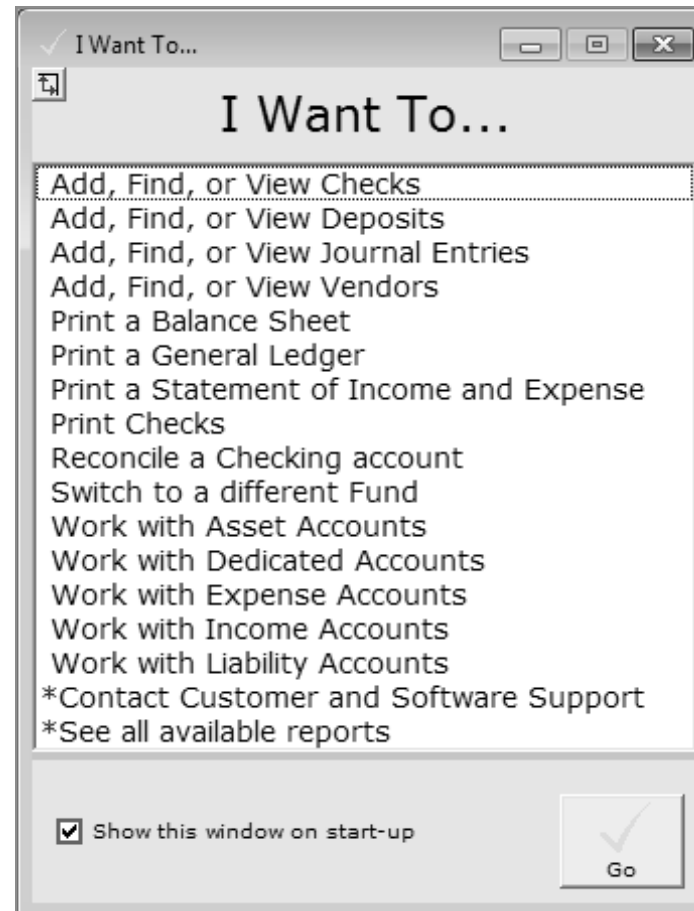


Chart of Accounts Tree - Navigation

The Finance Tree gives you a top down display of your chart of accounts. You can see exactly how your chart of account breaks down into account types, major groups, and minor groups.

You can also use it to add and edit accounts, add checks and deposits, and see you ledger with one click.

In order to access the tree, go to “Tree” in the Finance file menu and choose “Show the accounts tree.” You can also open the tree with the following options enabled:

- » **Start fully expanded** - It determines if the tree starts out with all nodes expanded, or with everything closed up to the account type level.
- » **Start with 1-click turned off** - There is a “1-click” option on the tree that determines if a single-click expands/collapses nodes (levels), or if a double-click does that.

Moreover, if you wish to see the tree when you start Finance go to “Desktop” in the file menu and check the option “Show the Accounts Tree on start-up.”

1. Click the green plus/minus to expand and collapse the entire tree. Use the blue plus and minus to expand and collapse a minor group.
2. By default, the tree sorts the accounts using the account number. If you wish to sort by name simply check the “By name” checkbox.
3. The tree also hides inactive accounts by default. If you want to see those you can check the box labeled “Inactive.”
4. The “1-click” option determines if the nodes in the tree expand/collapse with a single-click, or with a double-click. This can help if you wish to see group details without having the group expand or collapse.
5. If you can’t find a particular account you are looking for click on the magnifying glass to search for it. You can search by account name or account number.
6. You can use the double arrow button in the upper right hand corner to show/hide details for the selected type, group, or account.

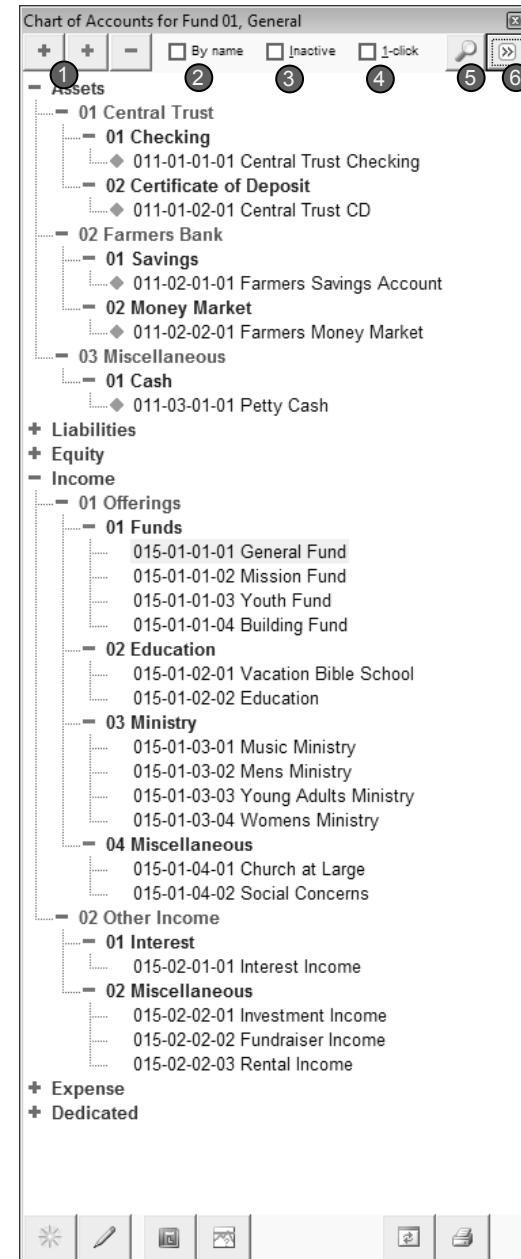


Chart of Accounts Tree - Features

There are also many features from the software that are conveniently located on the Chart of Accounts Tree itself.

1. Add an account from the tree by clicking the icon in the lower left corner. This button will add an account to the current place you have selected in your tree. So, if you have a minor group currently highlighted the account will be added with that account type, major group, and minor group already selected.
2. Edit an account by highlighting that account and clicking the pencil icon in the lower left hand corner.
3. You can see the ledger for an account by clicking on an account unless the details are expanded. In that case you will need to highlight the account and click the ledger button.
4. If you select an Income or Expense account in the tree, you can view that account's budget by clicking the budget button at the bottom of the tree. This button will also open the accounts grid.
5. Add a check for a selected asset account by clicking the add a check button at the bottom of the tree. You can also add a deposit.
6. The refresh button will reload the tree with the latest Chart of Accounts information.
7. Use the print button to take you to the Chart of Accounts report.

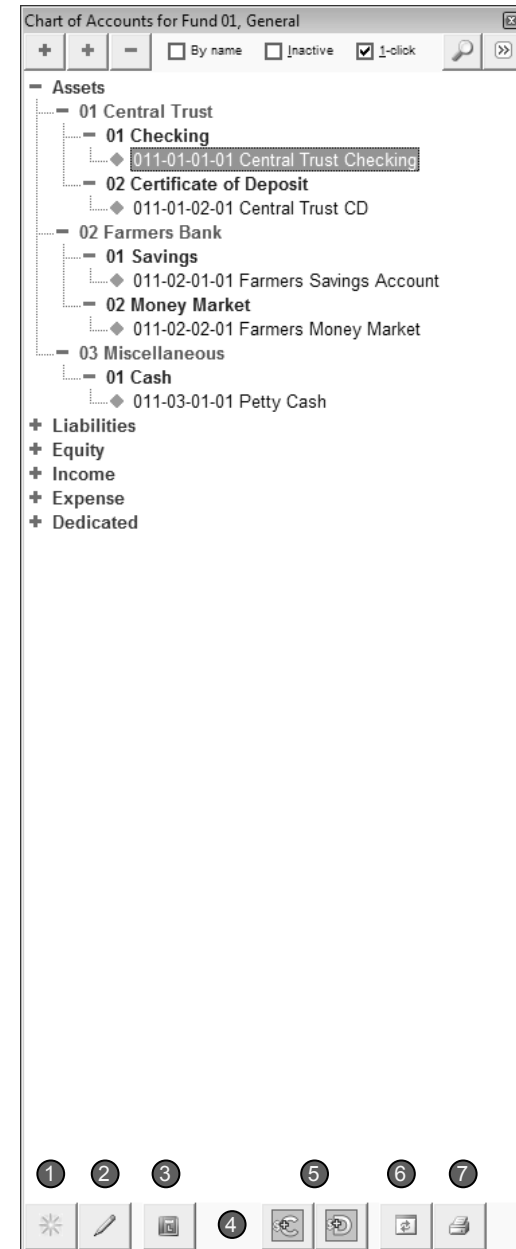


Chart of Accounts Tree - Details

When you click the double arrow button on the Chart of Accounts Tree, it will expand the details area of the tree.

1. The first things in the details area are the current year, beginning balance, and change figures.
2. Next will be a grid displaying the activity by month for the the current month and the past 18 months for the selected Account Type, Major Group, Minor Group, or Account.
3. If you wish to see your income or expense account entries as credits vs. debits instead of as budget vs. actual, check the box labeled
4. You can export the contents of the details grid to a spreadsheet using the "Export to spreadsheet" button in the lower right corner.
5. Below the data grid you will see a graph of listed data. The graph is color-coded based on the legend to the right side.
6. At the bottom of the details section, the tree includes both a high-level Income vs. Expense summary and a high-level Balance Sheet for the entire Fund you are in.
7. At any time you can copy these figures to the clipboard using the "copy to clipboard" button.

If you double click a month within the grid you can drill down to the Activity window for that month (not pictured). The Activity window works as follows:

1. It shows all the ledger lines making up that total for the selected Account Type, Major Group, Minor Group, or Account.
2. The Activity grid automatically lines up to the right of the tree, so that it is in view, and takes up the remainder of the Finance window width.
3. You can View the associated transaction for any ledger line. (No changes can be made to the transaction.)
4. As a visual aid, the amount is highlighted in either red or green depending if the amount is money added to expense or debt (red) or income or assets (green).
5. A total of the net activity shows at the bottom of the window. This total matches that in the Net Activity column of the selected row in the details grid, to the left.
6. The grid can be exported to a spreadsheet.

Year	Month	Budget	Actual	Diff	Pct.
2012	Oct	\$0.00	\$21,985.00	\$21,985.00	0.0%
2012	Nov	\$0.00	\$21,590.00	\$21,590.00	0.0%
2012	Dec	\$0.00	\$27,520.00	\$27,520.00	0.0%
2013	Jan	\$26,833.33	\$14,675.00	-\$8,156.33	-29.6%
2013	Feb	\$26,833.33	\$16,970.00	-\$3,863.33	-18.0%
2013	Mar	\$26,833.33	\$26,915.00	\$6,081.67	29.2%
2013	Apr	\$26,833.33	\$22,075.00	\$1,241.67	6.0%
2013	May	\$26,833.33	\$25,225.00	-\$608.33	-2.9%
2013	June	\$26,833.33	\$22,615.00	\$1,791.67	8.6%
2013	July	\$26,833.33	\$21,255.00	\$421.67	2.0%
2013	Aug	\$26,833.33	\$28,815.00	-\$18.33	-0.1%
2013	Sept	\$26,833.33	\$25,040.00	\$5,096.67	24.0%
2013	Oct	\$26,833.33	\$17,605.00	-\$3,228.33	-15.0%
2013	Nov	\$26,833.33	\$9,245.00	-\$11,588.33	-55.9%
2013	Dec	\$26,833.33	\$0.00	-\$26,833.33	-100.0%
2014	Jan	\$0.00	\$0.00	\$0.00	0.0%
2014	Feb	\$0.00	\$0.00	\$0.00	0.0%
2014	Mar	\$0.00	\$0.00	\$0.00	0.0%
2014	Apr	\$0.00	\$0.00	\$0.00	0.0%

Fund 01, General		Income:	\$ 242,945	Assets:	\$ 189,589
Expense:	\$ 157,593	Liabilities:	0		
Net Income:	\$ 85,352	Fund Balance:	\$ 189,589		
		Other Equity:	0		
		Fund Balance + Other Equity:	\$ 189,589		



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Basic Accounting Principles

This section acquaints you with some of the basics of accounting that the Shepherd's Staff Finance module is based on. These basics include:

- » Double Entry Bookkeeping
- » Cash Accounting
- » Fund Accounting

Double-entry Bookkeeping

Double-entry booking is a standard set of rules that are used when businesses record financial information. This set of rules is based on the accounting equation:

» **Assets = Liabilities + Equity**

For this equation to hold true, a change in one account must be matched (offset) by a identical change in another account. These changes are referred to as Debits and Credits. These debits and credits must be equal for a transaction to be valid.

Shepherd's Staff has been programmed to work off a T-account chart based off of these rules of accounting.

Account Type	Increases Balance	Decreases Balance
1—Asset	Debit	Credit
2—Liability	Credit	Debit
3—Equity	Credit	Debit
5—Income	Credit	Debit
6—Expense	Debit	Credit
7—Dedicated	Credit	Debit

One of the main ideas to grab onto is the fact that when money comes into or leaves the asset account, it must be offset in another account.

For example, when the church receives offerings, that money goes into the bank account. When you record this transaction in an asset account, we see on the chart that we will debit that asset account in order to increase it. Now we need to match the credit side of the account.

Since we need to increase an account by a credit we see that our options are liability, equity, income, or dedicated. Depending on the purpose of the money you can make your choice. If the offerings were just from the general offering plate, they will be recorded as income. If the offerings were from a memorial, they will probably be placed in a dedicated account depending on the instructions.

Either way, at the end of that transaction, the amount you increase the asset by will match the amount you increase the offset account.

Cash Accounting

There are two different methods when it comes to recording income and expenses: cash basis and accrual basis.

- » **Cash Basis**—Income is recorded when the money is received and expenses are recorded when the money is disbursed.
- » **Accrual Basis**—Income is recorded when money is earned but not necessarily received and expenses are recorded when they are incurred and not necessarily when the money is disbursed.

For example, say you sold an item for \$200 but won't get paid for it until next month. Using cash accounting you would record that \$200 when the person hands you the \$200 the next month.

On the other hand, using accrual accounting you would record that \$200 at the time of the sale regardless of whether or not you have received the money.

Non-profit organizations, such as churches, tend to use cash accounting based on a variety of reasons.

1. Cash accounting is much simpler to understand.
2. Tracking the money going into and coming out of one or more bank accounts is straightforward.
3. Cash accounting is also safer, since you are less likely to be surprised by cash flow problems.
4. Easier to explain to the congregation or church leaders.

Fund Accounting

Another major difference between business accounting and accounting for nonprofit organizations is the use of “funds.” By definition, a Fund is a separate accounting entity with its own income, expense, assets, and liabilities, and a unique reason for being (for example, to pay operating expenses). The assets in these funds usually fall into three categories:

- » **Unrestricted**—These assets can be used for any purpose.
- » **Temporary Restricted**—These assets are usually restricted by purpose (buying a new organ) or possible even time (annuity).
- » **Permanently Restricted**—These assets are also restricted but never expire.

In Shepherd’s Staff, we see many churches have one General Fund for the Unrestricted Assets. This fund is usually responsible for paying the everyday operating expenses like salaries and supplies. Beyond that you could have a Building Fund, a Memorial Fund, or even just a Restricted Fund.

However, according to FASB, you are not required to keep these funds separate. For this reason, Shepherd’s Staff allows you to separate your assets into these separate funds or you can also keep them in just one fund.

As part of each major fund, such as the general fund or the building fund, many congregations have several small temporary restricted assets resulting from memorials, special collections, and other designated gifts. Shepherd’s Staff uses a special type of account called the “Dedicated Account” for these assets.

Dedicated accounts are usually small and short-lived enough to allow you to keep their money in the bank account belonging to one of the major funds. Dedicated accounts automatically accumulate both receipts and disbursements so you can constantly track the amount available for a specific purpose.

FASB 117

The Financial Accounting Standards Board (F.A.S.B.) addressed the need to present a clear, overall picture of a not-for-profit organization in FASB 117. Previously, the true financial position of a not-for-profit could be easily obscured by a multitude of separate finance Funds. FASB 117 does not disallow the use of Fund Accounting, but overlays a method of presenting a fair financial picture of the organization as a whole.

Shepherd's Staff provides two methods of recording donations restricted for a particular purpose: Dedicated Accounts and separate Finance Funds. FASB 117 in Shepherd's Staff continues to support these structures, but adds a restriction status. A donation given for a particular purpose can now be shown as temporarily restricted or as permanently restricted, giving additional information to the users of your financial statements.

Most donations given for a particular purpose will be temporarily restricted. Permanently restricted status is normally reserved for legally restricted endowments where the principal can never be spent, only the interest and dividends earned by the principal.

FASB 117 is optional and the decision to implement it should be made with the advice of an Accounting professional, preferably specializing in the not-for-profit sector.

Because of the far-reaching implications of this feature, only a System Administrator or a Finance Supervisor can turn on or off FASB 117.

1. Exit the Finance module.
2. Go to Utilities from the Shepherd's Staff Main Menu. Select Settings, then the Finance tab.
3. Check the Enable FASB 117 check box.
4. Click OK to save the change.
5. In Finance, a new report, "FASB 117 Reports," appears in the report list. See the page on "FASB 117 Reports" for more information.
6. Additional options appear when adding or editing certain Funds and Accounts: Cash Flow Group and Restriction Status.
7. Cash Flow Group determines where the asset and liability account balances fall in the Statement of Cash Flows.
8. Restriction Status applies to Funds other than Fund 01 (which is always Unrestricted). Restriction Status also applies to Dedicated Accounts, but only if those Accounts are in Fund 01. All other Dedicated Accounts in other Funds take on the Restriction Status of the Fund.