

Georgia Department of Early Care and Learning
Bright from the Start
“Using the Chart of Accounts for Effective Grant Reporting” Tutorial

Slide 1 – This training “Using the Chart of Accounts for Effective Grant Reporting” is presented by the Georgia Department of Early Care and Learning Bright from the Start program in collaboration with the Carl Vinson Institute of Government.

Slide 2 – At the end of this training, you should be able to recall the definition of an account, recite the different types of accounts, explain the purpose of a chart of accounts, describe a trial balance, balance sheet, and operating statement, and explain how to use a chart of accounts to segregate transactions by grant.

Slide 3 – An account is a record of all the transactions that affect an item such as cash. Each account has unique identifier in the form of an account number and title. The purpose of accounts is to classify financial information for use in preparing financial reports.

Slide 4 - Accounts are assigned a unique identifier. The identifier could be numeric, alphabetical or a combination of alpha-numeric characters. Each account contains a single kind of transaction (cash or accounts payable for example). Accounts are arranged with similar accounts.

Slide 5 – Accounts are classified into five types: Assets which include cash and accounts receivable, liabilities which include accounts payable and salaries payable, revenues which are amounts earned during the year and are recorded as cash or accounts receivable.

Slide 6 – Expenses which are amounts disbursed or owed by incurring costs to provide goods or services and are recorded as decreases to cash or increases in accounts payable, and fund equity also known as fund balance which is the difference between assets and liabilities. Revenues and expenses are closed to this account at the end of the fiscal year.

Slide 7 - A chart of accounts is a listing of all accounts available for use in an individual accounting system. The chart of accounts is key to financial reporting. Organizing your chart of accounts effectively should allow you to generate information from your accounting system in the format you require for reporting.

Slide 8 – In many accounting systems, the five categories of accounts are designated by a unique leading number. For example, in many systems, assets begin with “1”, liabilities begin with “2”, fund equity begins with “3”, revenues begin with “4”, and expenses begin with “5-9”. Expenses normally have the greatest range of numbers for accountability purposes. Especially with grants, the grantor requires the kind of expense such as salaries, benefits, supplies and other items, be properly identified to determine grant eligibility. These numbers are not required but are commonly used. The objective is the chart should have a method for identifying accounts according to category.

Slide 9 – In this example, the ABC Learning Center has a three digit account number. Assets are identified with a leading “1”. In order to separate transactions related to the Child and Adult Food Care Program (CACFP), the last digit of the account is designated as a “1”. Any transaction ending in a “1” would be related to the CACFP program. This could be set up to include all accounts such as assets, liabilities, fund equity, revenues or expenses. An alternative would be to designate only revenues and expenses as related to CACFP.

Slide 10 – In this example, an invoice is entered into the accounting system without writing a check. Payment will be made at a later time. Using the coding system discussed on the previous slide, the invoice amount would be split between the CACFP program and other programs. One hundred dollars is posted to the food account for CACFP using the expense code ending in “1”. The remaining amount is posted to the food account code for all other programs which in this example ends in “2”. If your center has a number of grant programs, additional food expense accounts could be set up to segregate the expenses. For example, account code 602 might be used for Headstart food expenses, account code 603 might be used for Pre-K expenses and so on.

Slide 11 – Continuing this example, revenue that is earned but not currently collected related to the CACFP grant would be posted to accounts receivable and revenue accounts ending in “1”.

Slide 12 – A trial balance is a listing of all the accounts and account balances in your accounting system. Using the method discussed in this presentation should result in organizing your financial data to facilitate reporting requirements. In this example, you can easily identify any accounts related to the CACFP program based on the ending account number digit of “1”. Most computer software programs will allow the user to filter on components of the account numbers to provide information.

Slide 13 – This is an example of a balance sheet. A balance sheet is a listing of all assets, liabilities, and fund equity. Using the chart of accounts previously

described, the balance sheet would include all accounts beginning with a “1” which would be assets, “2” which would be liabilities, and “3” which would be fund equity. We can easily identify the accounts related to the CACFP program since they end in “1”. Although the “1” is not visible in this example, the accounting software would be separating CACFP transactions based on the account code.

Slide 14 – This is an example of an operating statement. The purpose of any operating statement is to show how fund equity, also known as fund balance, changed during the year. This statement presents revenues which have the effect of increasing equity and expenses which have the effect of decreasing equity as well as the beginning and ending equity balances. Again, notice how the CACFP accounts are separate from the other programs.

Slide 15 – There are other methods to track CACFP transactions separately. Some accounting systems allow project codes to be used. If your system allows project codes, set up a project code for CACFP. Each time a transaction involving the CACFP program is posted, enter the project account number set up to track CACFP transactions.

In addition, some software systems allow multiple funds or companies to be set up. A fund is a separate accounting entity with its own assets, liabilities, fund equity, revenues and expenses. Some accounting software use the terminology “company”. The principle is the same. These options allow you to separately track transactions according to a particular grant or program.

Separate bank accounts may also be used to segregate transactions associated with a particular grant. This is acceptable but may be administratively more burdensome since separate checks would be used when expending funds and separate deposit slips would be used to deposit receipts. In addition, all bank statements should be reconciled on a monthly basis. Multiple bank accounts will add to the time required for this task.

Slide 16- In conclusion, grant funds require a high level of accountability to ensure expenses are both eligible and occur during the grant period. A chart of accounts can facilitate the segregation of transactions to achieve accountability by grant. Separate project or fund codes as well as separate bank accounts can facilitate the segregation of grant transactions.

Slide 17 - This training “Using the Chart of Accounts for Effective Grant Reporting” was presented by the Georgia Department of Early Care and Learning

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