

# VII. SAMPLE CHART OF ACCOUNTS

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Effective Date: April 21, 2008

## Sample Chart of Accounts

This sample **Chart of Accounts** was developed for use by nonprofit agencies in Smart Start programs. DHHS is not mandating its use, but it is available for use by any agency. However, a funding agency/division within DHHS may mandate it for use by its grantees/contractors. The sample Chart of Accounts objects may be changed as appropriate for other individual nonprofit agencies.

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### Department of Health & Human Services

#### Recommended Chart-of-Accounts

#### Smart Start - Local Partnerships

#### Account Classes – Position 1

1XXXXXXX	Unrestricted
2XXXXXXX	Temporarily Restricted
3XXXXXXX	Permanently Restricted

#### Funds – Positions 2, 3 and 4

X100XXXX	Management and General
X200XXXX	Fund Raising
X300XXXX	Smart Start- (State)
X301XXXX	Child Care Services
X302XXXX	Health Services
X304XXXX	Staff Training
X305XXXX	Quality-Grants

	X306XXXX	Child Care Resource & Referral
	X307XXXX	Community Outreach
	X308XXXX	Community Awareness
	X309XXXX	Transportation
	X310XXXX	Family Services
	X311XXXX	Capital Projects
	X363XXXX	Parent Education
X400XXXX	Other State Grants	
X500XXXX	Federal Grants	
X600XXXX	Private Gifts and Grants	
X700XXXX	Other	

**Control Accounts – Position 5**

XXXX1XXX	Assets
XXXX2XXX	Liabilities
XXXX3XXX	Net Assets
XXXX4XXX	Revenues and Gains
XXXX5XXX	Expenses and Losses

**Major Accounts – Position 6**

**Sub Accounts – Position 7**

**Categories – Position 8**

<b>Assets XXXX11XX</b>	Cash and Cash Equivalents	
	XXXX111X	Checking Account
	XXXX112X	Petty Cash, Change Funds, Undeposited Receipts
	XXXX113X	Savings Accts, Money Market Accts, CD's
<b>XXXX12XX</b>	Current Accounts, Contributions and Interest Receivable	
	XXXX121X	Sales Tax Receivable
	XXXX122X	Accounts Receivable – Vendors

	XXXX123X	Other Receivables
	XXXX124X	Interest Receivable
	XXXX125X	Contributions Receivable
	XXXX126X	Allowance for Doubtful Contributions Receivable
<b>XXXX13XX</b>	Due from Other Organizations	
	XXXX131X	Due from State of North Carolina
	XXXX132X	Due from Federal Government
	XXXX133X	Due from Local Governments
	XXXX134X	Due from Private Organizations
	XXXX135X	Advances to Contractors
<b>XXXX14XX</b>	Interfund Receivables	
<b>XXXX15XX</b>	Inventories and Prepaid Expenses	
	XXXX151X	Inventory of Materials and Supplies
	XXXX152X	Prepaid Insurance and Maintenance Contracts
<b>XXXX16XX</b>	Investments	
<b>Assets XXXX11XX</b>	Cash and Cash Equivalents	
	XXXX161X	Bonds
	XXXX162X	Stock
<b>XXXX17XX</b>	Non-Current	
	Receivables	
	XXXX171X	Accounts Receivable
	XXXX172X	Contributions Receivable
	XXXX173X	Allowance for Doubtful Contributions Receivable
	XXXX174X	Grants Receivable
<b>XXXX19XX</b>	Land, Buildings, and Equipment	
	XXXX191X	Land
	XXXX192X	Buildings and Improvements
	XXXX193X	Furniture and Equipment
	XXXX194X	Data Processing Equipment
	XXXX195X	Leasehold Improvements

		XXXX196X	Accumulated Depreciation
<b>Liabilities</b>	<b>XXXX21XX</b>	Accounts Payable	
		XXXX211X	Accounts Payable -Vendors
		XXXX212X	Accounts Payable - Employees
		XXXX219X	Other Payables
	<b>XXXX22XX</b>	Accrued Payroll	
		<b>XXXX221X</b>	Salary and Wages Payable
		<b>XXXX222X</b>	Social Security Contribution Payable
		<b>XXXX223X</b>	Retirement Contribution Payable
		<b>XXXX224X</b>	Disability Insurance Payable
		<b>XXXX225X</b>	Unemployment Insurance Payable
		<b>XXXX226X</b>	Workmen's Compensation Payable
		<b>XXXX227X</b>	Payroll Clearing Account
	<b>XXXX23XX</b>	Interfund Payables	
	<b>XXXX24XX</b>	Unearned Revenue/Refundable Advances	
<b>Liabilities</b>	<b>XXXX21XX</b>	Accounts Payable	
		<b>XXXX241X</b>	Unearned Revenue/Refundable Advances - State of North Carolina
		<b>XXXX242X</b>	Unearned Revenue/Refundable Advances – Other
	<b>XXXX25XX</b>	Current Debt Payable	
		XXXX251X	Notes Payable
		XXXX252X	Capital Leases Payable
		XXXX253X	Mortgage Payable
		XXXX254X	Accrued Interest Payable
	<b>XXXX26XX</b>	Grants Payable	
	<b>XXXX27XX</b>	Accrued Leave	
		XXXX271X	Accrued - Vacation Leave

		XXXX272X	Accrued Sick Leave
	<b>XXXX28XX</b>	Long-Term Debt	
		XXXX281X	Notes Payable
		XXXX282X	Capital Leases Payable
		XXXX283X	Mortgage Payable
<b>Net Assets</b>	<b>XXXX31XX</b>	Net Assets	
		XXXX311X	Unrestricted Net Assets
		XXXX312X	Temporarily Restricted Net Assets
		XXXX313X	Permanently Restricted Net Assets
<b>Revenues &amp; Gain</b>	<b>XXXX41XX</b>	<b>State Grants</b>	
		XXXX411X	Smart Start
		XXXX412X	Other
	<b>XXXX42XX</b>	<b>Federal Grants</b>	
	<b>XXXX43XX</b>	<b>Private Gifts and Grants (Contributions)</b>	
	<b>XXXX44XX</b>	<b>Non-Cash Contributions</b>	
<b>Revenues &amp; Gain</b>	<b>XXXX41XX</b>	<b>State Grants</b>	
		XXXX441X	Donated Materials, Facilities
		XXXX442X	and Equipment Donated Services
		XXXX4421	Donated Services – Specialized Skills
		XXXX4422	Donated Services - Other
	<b>XXXX45XX</b>	<b>Fees and Special Events</b>	
		XXXX451X	Special Events (Net Revenue)
		XXXX4511	Special Events Receipts

			XXXX4512	Special Event Expenses
	<b>XXXX46XX</b>	<b>Investment Income</b>		
		XXXX461X	Interest Income	
		XXXX462X	Income on Long-Term Investments	
		XXXX463X	Other Investment Income	
		XXXX464X	Net Realized Gains on Long-Term Investments	
<b>Revenues &amp; Gain (cont.)</b>	<b>XXXX47XX (not in manual)??</b>	<b>Other Income</b>		
	<b>XXXX48XX</b>	<b>Net Assets Released from Restrictions</b>		
		XXXX481X	Satisfaction of Program Restrictions	
		XXXX482X	Satisfaction of Equipment Acquisition Restrictions	
		XXXX483X	Satisfaction of Time Restrictions	
<b>Expenses &amp; Losses</b>	<b>XXXX51XX</b>	<b>Personnel</b>		
		XXXX511X	Salary and Wages	
		XXXX512X	Social Security Contribution	
		XXXX513X	Retirement Contribution	
		XXXX514X	Disability Insurance Contribution	
		XXXX515X	Unemployment Insurance Contribution	
		XXXX516X	Workmen's Compensation	
		XXXX517X	Board Member Compensation/Stipends	
		XXXX518X	Donated Services	
			XXXX5181	<b>Donated Services – Specialized Skills</b>
			XXXX5182	<b>Donated Services – Other</b>
		XXXX519X	Accrued Leave	

	<b>XXXX52XX</b>	<b>Contracted Services</b>	
		XXXX521X	Accounting and Tax Services
		XXXX522X	Legal Services
<b>Expenses &amp; Losses</b>	<b>XXXX51XX</b>	<b>Personnel</b>	
		XXXX523X	Temporary Services
		XXXX524X	Other Contracted Services
		XXXX525X	Management Services
		XXXX526X	Honorariums
	<b>XXXX53XX</b>	<b>Supplies and Materials</b>	
		XXXX531X	Office Supplies and Materials
		XXXX532X	Computer Supplies and Software
		XXXX533X	Janitorial Supplies
		XXXX534X	Educational Supplies and Materials
<b>Expenses &amp; Losses (cont.)</b>	<b>XXXX54XX</b>	<b>Current Obligations</b>	
		XXXX541X	Travel
		XXXX542X	Communication (Telephone, Postage, etc.)
		XXXX543X	Utilities
		XXXX544X	Printing and Binding
		XXXX545X	Repair and Maintenance
		XXXX546X	Computer Services (Accounting, payroll, etc.)
		XXXX547X	Employee Training
		XXXX548X	Advertising and Promotion
		XXXX549X	Board Member Expense (Travel, Per Diem)
	<b>XXXX55XX</b>	<b>Fixed Charges and Other Expenses</b>	
		XXXX551X	Office Rent (Land, Buildings, etc.)
		XXXX552X	Furniture Rental

	XXXX553X	Equipment Rental (Phone, Computer, etc.)
<b>XXXX55XX</b>	<b>Fixed Charges and Other Expenses</b>	
	XXXX554X	Vehicle Rental
	XXXX555X	Dues and Subscriptions
	XXXX556X	Insurance and Bonding
	XXXX557X	Books (Library Reference Materials)
	XXXX558X	Depreciation
	XXXX559X	Other Expense
<b>XXXX56XX</b>	<b>Capital Outlay</b>	
	XXXX561X	Land
<b>Expenses &amp; Losses (cont.)</b>	XXXX562X	Buildings and Improvements
	XXXX563X	Furniture and Equipment
	XXXX564X	Data Processing Equipment
	XXXX565X	Leasehold Improvements
	XXXX566X	Expendable Equipment
<b>XXXX57XX</b>	<b>Contracts. Grants and Stipends</b>	
	XXXX571X	Grants and Contracts
	XXXX572X	Grants and Contracts - Related Party
	XXXX573X	Stipends

**Department of Health & Human Resources**

**Division of Child Development**

**Recommended Chart-of-Accounts**

**Account Descriptions**

**Account Classes**

Account Classes are used to Classify the organization's net assets in accordance with generally accepted accounting principles based on the presence or absence of donor restrictions.



## **1 XXXXXXX - Unrestricted**

Used to classify assets which have neither temporary nor permanent restrictions. It is allowable to classify assets for which temporary restrictions are satisfied within the same accounting period (year) as unrestricted.

## **2XXXXXXX - Temporarily Restricted**

Used to classify assets which have donor-imposed stipulations which either expire with time or can be fulfilled or removed by actions of the organization. Examples may include donations with the stipulation that the asset be preserved for a period of time or that the asset be used for a specified purpose.

## **3XXXXXXX - Permanently Restricted**

Used to classify assets which have donor imposed stipulations that neither expire with time nor can be fulfilled nor removed by actions of the organization.

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#### **Fund Designations**

Fund accounts are used to identify transactions by functional classifications. A fund is defined as "An accounting entity established for the purpose of accounting for resources used for specific activities or objectives in accordance with special regulations, restrictions, or limitations. In some instances where costs benefit more than one fund, it may be necessary to allocate the cost among two or more funds.

#### **X100XXXX - Management and General**

Used to account for transactions which are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenses for the overall direction of the organization's general board activities, business management, general record keeping, budgeting, and related purposes. Costs of overall direction usually include the salary and expenses of the executive director of the organization and staff. However, if such staff spends a portion of their time directly supervising program services or categories of supporting services, their salaries and expenses should be prorated among those functions. The costs of disseminating information to inform the public of the organization's "stewardship" of contributed funds, announcements concerning appointments, the annual report, and so forth, should likewise be classified as management and general expenses.

Funds provided by the State for the general operation of the local partnership would be accounted for in this fund. However, if the local partnership expends funds for fund raising activities, those funds should be accounted for in the Fund Raising Fund described below.

#### **X200XXXX - Fund Raising**

Used to account for costs incurred in raising funds from contributions of money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit They normally include the costs of personnel, occupancy, maintaining mailing lists, printing, mailing, and all direct and

indirect costs of soliciting, as well as the cost of unsolicited merchandise sent to encourage contributions. Fund raising costs paid directly by a contributor should be reported as support and as fund raising expenses in this fund.

Some organizations hold special fund-raising events, such as banquets, dinners, theater parties, and so forth, in which the donor receives a direct benefit (for example, a meal or theater ticket). Some organizations sell merchandise as a fund-raising technique. The costs of such merchandise or direct benefits are not considered fund-raising costs and should be applied against gross proceeds received from the person receiving such direct benefit. Statement of Financial Accounting Standards (SFAS) Statement No. 117 allows organizations to report net amounts for special events if they result from peripheral or incidental transactions. However, if they are ongoing and major activities, organizations should report gross amounts of revenues and expenses separately.

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#### **X300XXXX Smart Start (State)**

Used to account for the allocation from the State for specific Smart Start activities. For example: If the State provided funds to the local partnership for a needs and resource assessment, a separate fund would be designed to account for the receipt of the funds and the expenditures incurred in performing the needs and resource assessment. Separate funds should be established for each specific Smart Start activity (see examples on the recommended chart-of-accounts).

#### **X301XXXX Child Care Services**

Used to account for activities which will support and expand child care services.

#### **X302XXXX Health Services**

Used to account for health-related activities such as screenings, immunizations, health education, and dental care.

#### **X363XXXX Parent Education**

**Used to account for activities which provide training for parents which includes training to enhance their parenting skills and prenatal and postnatal training for teen parents.**

#### **X304XXXX Staff Training**

**Used to account for activities which provide training to staff which includes childhood instruction for child care providers and technical assistance on the inclusion of children with special needs.**

#### **X305XXXX Quality-Grants**

Used to account for activities which include awarding and monitoring of grants to child care centers and homes to improve the quality of care.

### **X306XXXX Child Care Resource & Referral**

Used to account for activities which include child care referrals, parent counseling, child care tuition assistance, training and technical assistance.

### **X307XXXX Community Outreach**

Used to account for activities which identify children under six and their families who may need child care or child development services such as Family Ties.

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### **X308XXXX Community Awareness**

Used to account for activities which make the community aware of the problems which exist for children and families.

### **X309XXXX Transportation**

Used to account for activities involving the purchase of vans, providing monitors for vans, and mileage reimbursement for children under six and their families to access services.

### **X310XXXX Family Services**

Used to account for activities which help families achieve self sufficiency and needed support such as family resource centers, teen parenting programs, Head Start services, and crisis intervention.

### **X311XXXX Capital Projects**

Used to account for renovation and building projects which make child care and intervention services more available.

### **X400XXXX Other State Grants**

Used to account for grants, other than Smart Start, awarded by the State. Separate funds should be established for each grant to demonstrate compliance with the grant agreement. Note that even though a grant made by the State may include Federal Funds, it would still be classified as a State Grant

### **X500XXXX Federal Grants**

Used to account for grants from the Federal Government Separate funds should be established for each grant to demonstrate compliance with the grant agreement

### **X600XXXX Private Gifts and Grants**

Used to account for private gifts and grants. It is the local partnership's discretion as to whether a separate fund should be established for each gift or grant. Generally, if the gift or grant is provided with restrictions or for specific purposes, a separate fund should be established to demonstrate compliance with those restrictions or that the purpose was achieved.

#### **X700XXXX - Other**

Used to account for funds the local partnership may want to segregate for management purposes.

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##### Control Accounts

Control accounts are used to designate the location of accounts on the financial statements of the not-for-profit organization.

#### **XXXX1XXX - Assets**

All accounts which provide economic benefit to the organization. Included within the assets control accounts are "contra-accounts" such as accumulated depreciation or allowances for doubtful accounts. These "contra-accounts" are intended to present assets at their net cost or realizable value. For example: the net cost of a building for financial presentation would be its cost less the accumulated depreciation.

#### **XXXX2XXX - Liabilities**

All accounts which represent obligations of the not-for-profit organization whether due to outside entities (external obligations) or to other funds (internal obligations). Also included in this group of accounts are unearned revenues or advances provided by outside organizations.

#### **XXXX3XXX - Net Assets**

All accounts which accumulate the excess/deficit of revenues and gains over expenses and losses. Generally, an entry is only made to these accounts at the end of each accounting period; unless the not-for-profit organization needs to correct an error which occurred in a prior accounting period. Net Assets are classified by donor imposed restrictions (unrestricted, temporarily restricted or permanently restricted) on those assets.

#### **XXXX4XXX - Revenues and Gains**

All accounts which measure gross increases in assets, gross decreases in liabilities, or a combination of both from delivering or producing goods, rendering services, or other earning activities of a not-for-profit organization during an accounting period. Examples may include grants, dues, contributions and proceeds from sales of items. Also, gains resulting from the sale of assets such as investments are included in this control. The accounting principles affecting the recognition of revenues and gains for not-for-profit organizations are the same as for commercial entities: the earning process must be completed before revenues are earned. For operating grants, this usually requires that expenses be incurred before grant revenue is considered earned. In other instances, the goods or services must be provided before revenues are considered earned.

## **XXXX5XXX - Expenses and Losses**

All accounts which measure gross increases in liabilities, gross decreases in assets, or a combination of both, result from providing services or other activities of the not-for-profit organization. Examples include personnel costs, costs of supplies or current obligations. Also, losses resulting from the sale of assets such as investments are included in this control. The accounting principles affecting the recognition of expenses and losses for not-for-profit organizations are the same as for commercial entities: the expenses must be incurred.

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### **Major Accounts and Sub-Accounts**

#### **Assets**

#### **XXXX11XX - Cash and Cash Equivalents**

**These accounts record amounts which represent cash, either on-hand or on-deposit, and cash items which could be converted to cash easily and without significant risk of a loss occurring.**

##### **XXXX111X -Checking Account**

This account records cash on deposit in a checking account with a bank.

##### **XXXX112X -Petty Cash,. Change Funds, Undeposited Receipts**

This account records cash used by the not-for-profit organization for revolving funds, change funds, petty cash funds and undeposited receipts at year-end.

##### **XXXX113X -Savings Accounts, Money Market Accounts. Certificates of Deposit**

This account records funds on deposit with banks and other financial institutions in the form of savings accounts, money market accounts, certificates of deposit, and other interest bearing deposits.

#### **XXXX12XX -Current Accounts. Contributions and Interest Receivable**

**These accounts record amounts due to the organization which are expected to be realized in cash during the next accounting cycle (usually one year). See Non-Current Receivables for amounts not expected to be realized in cash during the next accounting cycle.**

##### **XXXX121X -Sales Tax Receivable**

This account records amounts due to the not-for-profit organization as a result of a refund of sales tax paid on purchases. *(Note: You may find it convenient to make an entry at the time invoices are paid to ensure that all sales taxes subject to refund are claimed for reimbursement.)*

#### **XXXX122X -Accounts Receivable -Vendors**

This account records amounts due from vendors as a result of returning merchandise either for cash refunds or issuance of credit memos.

#### **XXXX123X -Other Receivables**

This account records other miscellaneous amounts which are due to the not-for-profit organization.

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#### **XXXX124X -Interest Receivable**

This account records accrued interest receivable on investments and notes.

#### **XXXX125X -Contributions Receivable**

This account records unconditional promises to give (pledges), even if the donor restricts the pledged contribution to use in a future period. However, if the pledge will not be paid until a future period, it should be classified as-a non-current asset. Unconditional promises should be recognized without regard to legal enforceability. Conditional promises to give are recognized only when the conditions are satisfied, thus no revenue or receivable should be recognized at the time the promise is received. Only when the conditions are met would revenue and receivable be recognized. For example: if a private company pledged to match funds dollar-for-dollar raised through other contributors, the pledge would not be recorded until the contributions were raised from the other sources (i.e. the conditions have been met). Any assets contributed before the conditions are substantially met would be accounted for as unearned revenue or a refundable advance (liability). A pledge is conditional if the donor specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets contributed or releases the promisor from its obligation to transfer the assets promised.

#### **XXXX126X -Allowance for Doubtful Contributions Receivable**

This account records the organization's estimate of pledges which will not be collected. For contributions expected to be collected in less than one year, the not-for-profit organization should base this estimate on historical data on anticipated collection rates.

#### **XXXX13XX - Due from Other Organizations**

**These include accounts which represent amounts due from other organizations.**

#### **XXXX131X - Due from the State of North Carolina**

This account records accrued amounts due from the State of North Carolina which have been earned at year-end regardless of whether a request for reimbursement has been submitted. In most instances, grants are considered earned when the organization has incurred qualifying expenditures.

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**XXXX132X - Due from Federal Government**

This account records accrued amounts due from federal agencies which have been earned at year-end regardless of whether a request for reimbursement has been submitted.

**XXXX133X - Due from Local Governments**

This account records accrued amounts due from either city or county governments which have been earned at year-end regardless of whether a request for reimbursement has been submitted.

**XXXX134X - Due from Private Organizations**

This account records accrued amounts due from private organizations which have been earned at yearend.

**XXXX135X - Advances to Contractors**

This account records amounts provided to contractors for which qualifying expenditures have not been reported.

**XXXX14XX - Interfund Receivables**

**These accounts record amounts due from other funds. Because each not-for-profit organization may have numerous funds depending on the nature of its operations, no sub-accounts are described. Note that interfund receivables and payables should be equal.**

**XXXX15XX - Inventories and prepaid expenses**

**These accounts record tangible personal property either for resale or for use in the not-for-profit organization's operations and expenses paid in advance of being incurred.**

**XXXX151X - Inventory of materials and Supplies**

This account records tangible personal property held for resale or for use in operations. *Note: Inventories do not need to be recorded unless the aggregate value exceeds \$500 for supplies or \$100 for postage.*

**XXXX152X - Prepaid Insurance and Maintenance Contracts**

This account records amounts paid for expenses which will benefit future periods. For example, insurance policies may be prepaid for a three year period or maintenance contracts may be paid just prior to year-end.

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**XXXX16XX - Investments**

**These accounts record assets held for the purpose of generating income either in the form of interest, dividends, or capital gains. Nonprofit organizations frequently pool investment of various funds. The income from such investments, and the realized and unrealized gains and losses on the investment, should be allocated equitably to the participating funds. Care should be taken whether there are any restrictions (by donors or regulatory agencies) that would prohibit the pooling of investments of certain funds.**

**XXXX161X - Bonds.**

This account records the value of bonds whether purchased (costs including broker fees) or donated (fair market valued).

**XXXX162X - Stocks**

This account records the value of common or preferred stock whether purchased (costs including broker fees) or donated (fair market valued).

**XXXX17XX - Non-Current Receivables**

**These accounts record amounts due the organization which are not expected to be converted to cash within the next accounting cycle (usually one year).**

**XXXX171X Accounts Receivable**

This account records amounts, other than contributions or grants, due from other organizations or individuals.

**XXXX172X Contributions Receivable**

This account records unconditional promises to give (pledges) which are not expected to be received until after the next accounting cycle (usually over a year).

**XXXX173X Allowance for Doubtful Contributions Receivable**

This account records the organization's estimate of pledges which will not be collected. For pledges anticipated to be collected after one year, SFAS No. 116 requires that the fair value should be based on future cash receipts, discounted at a rate "commensurate with the risks involved." In other words, the determination of the discount rate should be based on the same criteria that would be used for a trade receivable.

**XXXX174X Grants Receivable**

This account records grants which are not expected to be realized until after the next accounting cycle.



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### **XXXX19XX - Land, Buildings, and Equipment**

**These accounts record the not-for-profit organization's cost of acquiring assets. Equipment which exceeds the capitalization rate (currently \$500) should be recorded in these accounts. The cost of the asset includes the value of consideration given or consideration received, whichever is more clearly determinable. Cost includes all normal and necessary outlays incurred to bring the asset into a state of readiness for its Intended use, excluding taxes. Also, included in these accounts are leases which are essentially purchases financed through lease agreements, referred to as "capital leases." The criteria used to distinguish between a capital lease and an operating lease, as well as the requirements for recording a capital lease, are very specific and beyond the scope of this description. If you have assets which have been purchased through a financing agreement (usually a lease-purchase agreement) other than a note payable or mortgage, you should contact your auditor or accountant for advice.**

#### **XXXX191X - Land**

This account records the amount paid for the land itself, costs incidental to the acquisition of land, and expenditures incurred in preparing the land for use.

#### **XXXX192X - Buildings and Improvements**

This account records the cost of relatively permanent structures used to house persons or property, and fixtures that are permanently attached to and made a part of buildings and that cannot be removed without cutting into walls, ceilings, or floors or without in some way damaging the building.

#### **XXXX193X - Furniture and Equipment**

This account records the cost of furniture and equipment which has a cost basis in excess of the capitalization threshold.

#### **XXXX194X - Data Processing Equipment**

This account includes the cost of data processing equipment used by the not-for-profit organization which exceeds the capitalization threshold.

#### **XXXX195X - Leasehold Improvements**

This account records the cost of improvements made to property leased by the not-for-profit organization. These costs usually include improvements made to leased facilities.

#### **XXXX196X - Accumulated Depreciation**

This account records depreciation accumulated by periodic adjustments to annual depreciation. When the asset is sold or the lease is terminated, depreciation recorded for the item is removed from the records.

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**Liabilities**

**XXXX21XX - Accounts Payable**

**These accounts record current liabilities which represent debts or other legal obligations arising from transactions in the past which must be liquidated, renewed, or refunded at some future date within a relatively short period, usually no longer than a year.**

**XXXX211X - Accounts Payable - Vendors**

This account records the liabilities for goods and services which have either been received or provided. If an accrual entry is made at year-end, it should include the cost of goods and services which have been received or provided before year-end for which payment has not been made.

**XXXX211X - Accounts Payables - Employees**

This account records the amounts due to employees for transactions other than salaries and wage. This account usually records unreimbursed employee travel expenses.

**XXXX219X - Other Payables**

This account records the amounts due for other types of payables.

**XXXX22XX Accrued Payroll**

**These accounts record the liabilities for salaries and wages and employee benefits.**

**XXXX221X - Salary and Wages Payable**

This account records the liability for accrued payrolls at year-end. The accrual should include all salaries and wages earned by employees; thus, this entry would include all time worked by employees up to year-end.

**XXXX222X - Social Security Contribution Payable**

This account records the liability for the employees share of Social Security applied to the accrued salaries and wages and any outstanding liabilities as a result of prior payrolls.

**XXXX223X - Retirement Contribution Payable**

This account records the liability for the employees' share of the contribution to retirement plans associated with the accrued salaries and wages and any outstanding liabilities as a result of prior payrolls.

**XXXX224X - Disability Insurance Payable**

This account records the liability for the employers cost of disability insurance associated with the accrued salaries and wages and any outstanding liabilities as a result of prior payrolls.

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**XXXX225X - Unemployment Insurance Payable**

This account records the liability for the employees cost of unemployment insurance associated with the accrued salaries and wages and any outstanding liabilities as a result of prior payrolls.

**XXXX226X - Workmen's Compensation Payable**

This account records the liability for the employees cost of workmen's compensation associated with the accrued salaries and wages and any outstanding liabilities as a result of prior payrolls.

**XXXX227X - Payroll Clearing Account**

This account records the temporary liability for payroll deductions due to other organizations.

**XXXX23XX - Interfund Payables**

**These accounts record the liabilities to other funds. Because these are dependent on other funds established by the not-for-profit organization no examples of sub-accounts have been provided. Note that interfund receivables and payables should equal.**

**XXXX24XX - Unearned Revenue/Refundable Advances**

**These accounts record amounts which have been received by the not-for-profit organization, but the earning process has not been completed. Usually with operating grants, the earning process involves incurring qualifying expenditures. With capital grants, the process involves the acquisition of specified assets. In connection with fund raising events, the earning process is completed when the goods or services are provided.**

**XXXX241X - Unearned Revenue/Refundable Advances - State of North Carolina**

This account records amounts which have been received from the State of North Carolina in which the earning process has not been completed (i.e. residual amounts of cash advances).

**XXXX242X - Unearned Revenue/Refundable Advances - Other**

This account records amounts which have been received from organizations or individuals other than the State of North Carolina in which the earning process has not been completed.

## **XXXX25XX - Current Debt Payable**

**These accounts record the current portion of long-term debts or other obligations, due within a year. An entry should be made at year-end to reclassify the portion of long-term debt (principle only) due within a year as a current debt payable. Sub-accounts should be established for each long-term obligation.**

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### **XXXX251X - Notes Payable**

**This account records the outstanding principle due within the next year on notes owed by the organization.**

### **XXXX252X - Capital Leases Payable**

This account records the net present value of lease payments due within the next year on capital leases. You should contact your auditor or CPA for assistance in recording capital leases.

### **XXXX253X - Mortgage Payable**

This account records the outstanding principle due within the next year on mortgages.

### **XXXX254X - Accrued Interest Payable**

This account records interest due on notes, capital leases and mortgages at the end of the accounting period.

## **XXXX26XX - Grants Payable**

**These accounts record the amount outstanding grant awards to outside organizations which represent amounts earned but not paid at year end. For grants on a cost-reimbursement basis, this amount would be equal to the amount of expense Incurred by the outside organization but not yet paid at June 30. For other grants which are considered unconditional promises to give, the total outstanding grant amount at June 30 would be recorded.** Note: Liabilities resulting from contracts between the State of North Carolina and providers identified in the not-for-profit organization's plan should not be recorded in this account.

### **XXXX27XX - Accrued Leave**

**These accounts record the obligation at year-end for probable future payments to employees for accrued leave (compensated absences). A liability should be recorded (SFAS No. 43) for compensated absences (illness, holiday, vacation) when:**

1. the employee's right to receive compensation for the future absences is attributable to services already performed by the employee;

2. the employee's right to receive the compensation for the future absences is vested, or accumulates;
3. it is probable that the compensation will be paid; and,
4. the amount of compensation is reasonably estimable. Generally, the liability Is recorded based on employees earned leave at the employee's current salary rate, unless the organization is aware of pending subsequent increases.

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Vested rights are those which have been earned by the employee for services already performed. Thus, vested rights are not contingent on any future services by the employee and are an obligation of the not-for-profit organizations even if the employee terminates or is terminated by the organization. A not-for-profit organization does not have to accrue leave. If payment of sick pay depends on the future illness of the employee, an employer does not have to accrue a liability for such payment.

**XXXX271X -Accrued -Vacation Leave**

This account records the liability at year-end for the estimated probable future payment of compensation for vacation benefits

**XXXX272X - Accrued Sick Leave**

This account records the liability at year-end for the estimated probable future payment of sick leave benefits

**XXXX28XX - Long-Term Debt**

**These accounts record non-current liabilities which represent debts or other legal obligations arising from transactions in the past which must be liquidated, renewed, or refunded In a future period that is at least one year or more subsequent to the current fiscal period. Sub-accounts should be established for each long-term debt/obligation.**

**XXXX281X - Notes Payable**

This account records the amount of principle due after the next accounting cycle on notes.

**XXXX282X - Capital Leases Payable**

This account records the net present value of lease payments due after the next accounting cycle.

**XXXX283X - Mortgage Payable**

This account records the amount of principle due after the next accounting cycle on mortgages.

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### **Net Assets**

#### **XXXX31XX - Net Assets**

**These accounts represent the accumulated excess (deficit) of revenues and gains over expenses and losses (Assets - Liabilities = Net Assets) from the inception of the not-for-profit organization. Generally, these accounts, referred to as equity accounts, are up-dated annually during the process of closing the revenue and gain accounts and the expense and loss accounts. The only other situation in which entries should be made to equity accounts is to correct an error for a prior period (prior period adjustment). Even then, prior period adjustments should only be recorded in situations where the amounts are material to the financial statements. As required by SFAS 117, the net assets are categorized by the status of donor imposed restrictions at year-end.**

#### **XXXX311X - Unrestricted Net Assets**

This account records the balance of unrestricted net assets (unrestricted assets less liabilities which will be satisfied by unrestricted assets). Unrestricted net assets generally result from revenues that were derived from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing asset, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limits on using unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors, and others entered into by the organization in the course of its business. It is also allowable to record temporarily restricted assets as unrestricted where the restrictions will be satisfied within the same account year in which the funds were received.

#### **XXXX312X - Temporarily Restricted Net Assets**

This account records the balance of temporarily restricted net assets. Temporarily restricted assets are for,

- (a) support of particular operating activities,
- (b) investment for a specified term,
- (c) use in a specified future period, or
- (d) acquisition of long-lived assets.

Donors' temporary restrictions may require that resources be used in a later period or after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both.

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**XXXX313X - Permanently Restricted Net Assets**

This account records the balance of permanently restricted net assets. Permanently restricted assets have donor imposed restrictions which do not expire with time or with the completion of activities that fulfill a purpose. SFAS-1 17 requires that separate line items be reported either within permanently restricted net assets or in notes to financial statements to distinguish between permanent restrictions for holdings of (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be persevered, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter results from gifts and bequests that create permanent endowment funds.

**Revenues and Gains**

**XXXX41XX - State Grants**

**These accounts record revenues earned from grants from the State of North Carolina. Generally, revenues are earned from operating grants by incurring qualifying expenses. In this context, qualifying expenses refer to expenses which are either allowed by the grant award or regulations, are allocable to the grant and are reasonable and necessary to meet the objectives of the program. Sub-accounts should be established for each state grant.**

**XXXX411X - Smart Start**

This account records revenues earned for Smart Start Grants. A separate account should be established for each Smart Start grant.

**XXXX412X - Other**

This account records revenues earned for other state grants. A separate account should be established for each state grant

**XXXX42XX - Federal Grants**

**These accounts record revenues earned for grants from federal agencies. Generally, revenues are earned for operating grants by incurring qualifying expenses. In this context, qualifying expenses refer to expenses which are either allowed by the grant award or regulations, are allocable to the grant and are reasonable and necessary to meet the objectives of the program. Sub-accounts should be established for each federal grant.**

**XXXX43XX - Private Gifts and Grants (Contributions)**

These accounts record revenues from private gifts and grants. This account would be used for corporate gifts, grants from private foundations and contributions from individuals. This account can also be used for pledges which are not contingent upon future events. Sub-accounts should be established for each corporation, unless anonymity is requested.

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#### **XXXX44XX - Non-Cash Contributions**

These accounts record contributions from Individuals or organizations. In a broad sense, a contribution may be described as a transfer of an asset or cancellation of a liability without consideration. Therefore, contributions are *nonreciprocal* (the recipient does not give up an asset or incur a liability of commensurate value). Under SFAS No. 116, promises to give (pledges) should be recognized at fair value (as revenue and receivable) when the pledge is received, even if the donor restricts the pledged contribution to use in a future period, and even if the pledge will not be paid until a future period. Frequently, donors stipulate how their gifts are to be used by placing restrictions on them. SFAS No. 116 requires recognition of contribution revenue upon the transfer of an economic benefit, usually the receipt of either the contribution (cash or other economic benefit) or a pledge (a promise to make a contribution in the future). Therefore, under SFAS No. 116, contributions with donor-imposed restrictions are reported as restricted revenue, which increase either permanently restricted or temporarily restricted net assets. As restrictions are fulfilled or the stipulated time period for the restriction has expired, the amount should be reclassified to unrestricted net assets.

#### **XXXX441X - Donated Materials, Facilities and Equipment**

This account is used to record the value of donated materials, facilities and equipment. Generally, value is based on the fair value of materials or equipment at the time of the donations. Value should be based on a reasonable objective basis. For example: in those instances in which the use of a facility is donated, value should be based on the rental value of similar facilities in the area.

#### **XXXX442X - Donated Services**

These accounts are used to record the value of donated services. They have been divided into two categories; **Donated Services - Specialized Skills**, which meet the requirements of SFAS No. 116 for financial reporting purposes and **Donated Services - Other** which do not meet the requirements of SFAS No. 116.

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#### **XXXX4421 - Donated Services - Specialized Skills**

This account is used to record the value of donated services requiring specialized skills (i.e., accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals)



and craftsmen). *(Note: Donated services are recorded as both a revenue and expense. Contributions of services should be recognized only if the services received:*

*d) create or enhance nonfinancial assets or*

*e) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.)*

#### **XXXX4422 - Donated Services - Other**

This account is used to record the value of donated services which do not meet the requirements of SFAS No. 116 for financial reporting either because they do not create or enhance nonfinancial assets or they do not require specialized skills and would not typically need to be purchased. However, the partnership may need to accumulate the value of these services to demonstrate compliance with legislative requirements to obtain a specified level of donations. *(Note: Donated services are recorded as both a revenue and expense. Because these donations are not reflected in the partnership's financial statements, they should be eliminated before the financial statements are prepared.)*

#### **XXXX45X - Fees and Special Events**

**These accounts record fees collected for membership fees and funds raised through special events. Sub-accounts should be established for each type of fee collected.**

##### **XXXX451X - Special Events (Net Revenue)**

This account records the net proceeds (gross collections less expenses) from special events. Sub-accounts should be established to record receipts and expenses.

##### **XXXX4511 - Special Event Receipts**

This account records the receipts collected in connection with special events.

##### **XXXX4512 - Special Event Expenses**

This account records the expenses incurred in connection with special events.

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#### **XXXX46XX - Investment Income**

**These accounts record income from investments. The balance of these accounts should include investment income received during the year as well as accrued investment income earned but not received by year-end.**

**XXXX461X - Interest Income**

This account records interest income received from checking accounts, savings accounts, certificate of deposits, money market accounts and other short-term investments.

**XXXX462X - Income on Long-Term Investments**

This account records income from long-term investments such as dividends and interest on bonds.

**XXXX463X - Other Investment Income**

This account records income from investment such as rental property.'

**XXXX464X - Net Realized Gains on Long-Term Investments**

This account records net realized gain on long-term investments resulting from sales of stocks, bonds, and other assets held for investment purposes. Gains should be recorded net of any incidental fees involved in selling the asset

**XXXX48XX - Net Assets Released from Restrictions**

**These accounts record the net assets released from temporary restrictions. The underlying concept for this series of accounts is based on the presentation in the financial statements of all expenses as being deductions from unrestricted net assets. Therefore, if a not-for-profit organization incurs expenses which qualify to release temporarily restricted assets, those expenses are initially recorded in an unrestricted fund or with the use of unrestricted assets. Then, to reflect the decrease in temporarily restricted assets, an account, "net assets released from restrictions," would be debited. This account will appear on the statement of activities as a reduction in net assets temporarily restricted. Conversely, to off-set the effect of the expense being initially recorded as a reduction in unrestricted net assets, an entry is made in a similar account with the same title, "net assets released from restrictions," only this account is reflected in the statement of activity as an increase in unrestricted net assets. The net effect of this series of transactions is to decrease temporarily restricted net assets. There is no effect on unrestricted net assets, but this allows all expenses to be reflected as being made from unrestricted assets.**

**XXXX481X - Satisfaction of Program Restrictions**

This account records either increases in unrestricted net assets or decreases in temporarily restricted net assets for expenditures which qualify to satisfy program restrictions.

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#### **XXXX482X - Satisfaction of Equipment Acquisition Restrictions**

This account records either increases in unrestricted net assets or decreases in temporarily restricted net assets for equipment purchases which qualify to satisfy equipment acquisition restrictions.

#### **XXXX483X - Satisfaction of Time Restrictions**

This account records either increases in unrestricted net assets or decreases in temporarily restricted net assets which are satisfied by meeting time restrictions. For example, a donor may require that a stock certificate be held for five years. At the end of the five-year holding period the stock certificate should be reclassified from temporarily restricted net assets to unrestricted net assets.

### **Expenses and Losses**

#### **XXXX51XX - Personnel**

**These accounts record personnel costs, payroll taxes, employee benefits, professional services (consultants, etc.) and stipends paid to board members. The objective of this group of accounts is to provide information on total personnel costs.**

#### **XXXX511X - Salary and Wages**

This account records the cost of salary and wages paid to employees of the not-for-profit organization. Included in this account are both full-time and part-time personnel costs.

#### **XXXX512X - Social Security Contribution**

This account records the employees' share of social security for FICA, OASDI, and national health insurance applied to salary and wages paid to employees.

#### **XXXX513X - Retirement Contribution**

This account records the employees' contribution towards employee's retirement.

#### **XXXX514X - Disability Insurance Contribution**

This account records the employees' contribution towards employees disability insurance program.

#### **XXXX515X - Unemployment Insurance Contribution**

This account records the employees' costs of the State Unemployment Insurance program.

#### **XXXX516X - Workman's Compensation**

This account records the cost of workmen's compensation claims filed against the not-for-profit organization.

### **XXXX517X - Board Member Compensation/Stipends**

This account records stipends paid to board members. Reimbursements for board members expenses should not be recorded in this account (See Current Obligations).

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### **XXXX518X - Donated Services**

These accounts are used to record the value of donated services. They have been divided into two categories; **Donated Services - Specialized Skills**, which meet the requirements of SFAS No. 116 for financial reporting purposes and **Donated Services - Other**, which do not meet the requirements of SFAS No. 116.

#### **XXXX5181 - Donated Services - Specialized Skills**

This account records the value of donated services which meet the requirements of SFAS No. 116 (see revenue account: Donated Services - Specialized Skills).

#### **XXXX5182 - Donated Services - Other**

This account records the value of donated services which do not meet the requirements of SFAS No. 116. This account should be eliminated during the process of preparing financial statements.

#### **XXXX519X - Accrued Leave**

This account records the net increase in accrued leave earned by employees during the accounting period.

### **XXXX52XX - Contracted Services**

**These accounts are used to record transactions to obtain outside services typically provided by employees of the organization.**

#### **XXXX521X -Accounting and Tax Services**

This account is used to record accounting and tax services for bookkeeping services, payroll, and preparation of tax returns.

#### **XXXX522X Legal Services**

This account is used to record legal services either for specific services or retainers.

#### **XXXX523X - Temporary Services**

This account is used to record temporary services (i.e., temporary clerical or secretarial) obtained from manpower agencies.

**XXXX524X - Other Contracted Services**

This account is used to record other contracted services not classified above.

**XXXX525X - Management Services**

This account records the costs of management services acquired by the organization.

**XXXX526X - Honorariums**

This account records the cost of honorariums paid to speakers, etc.

**XXXX53XX - Supplies and Materials**

**These accounts record the cost of supplies and materials used In the daily operations of the not-for-profit organization.**

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**XXXX531X - Office Supplies and Materials**

This account records the costs of office supplies and materials. Equipment other than computer equipment and software, which does not exceed the capitalization threshold, should be recorded in this account.

**XXXX532X - Computer Supplies and Software**

This account records the costs of computer supplies and software. Computer equipment and software purchases which do not exceed the capitalization threshold should be recorded in this account

**XXXX533X - Janitorial Supplies**

This account records the costs of janitorial supplies. The cost of janitorial service contracts should not be recorded in this account (See Current Obligations).

**XXXX534X - Educational Supplies Materials**

This account records the cost of educational/medical supplies.

**XXXX54XX - Current Obligations**

**These accounts record the on-going cost of operations other than personnel, supplies and materials, and fixed charges.**

**XXXX541X - Travel**

This account records the costs of employee travel. Included in this account are subsistence, lodging and transportation. Rental of a permanent vehicle should not be recorded in this account (See Fixed Charges and Other Expense).

**XXXX542X - Communication (Telephone, Postage, etc.)**

This account records the costs of telephone (both local service and long-distance charges) and postage.

**XXXX543X - Utilities**

This account records utility costs such as electricity, water and sewer, and gas.

**XXXX544X - Printing and Binding**

This account records the cost of printing, binding and copying.

**XXXX545X - Repair and Maintenance**

This account records the costs of routine repairs and maintenance, including service contracts.

**XXXX546X - Computer Services (Accounting, payroll, etc.)**

This account records the cost of purchased computer services such as accounting and payroll processing.

**XXXX547X - Employee Training**

This account records the cost of employee training. Included in this account is tuition, conference registration and training materials. Travel incurred in connection with employee training should not be recorded in this account (See Travel).

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**XXXX548X - Advertising and Promotion**

This account records the cost of advertising program services, solicitation of bids, obtaining qualified applicants, or advertising fund raising events.

**XXXX549X - Board Member Expense**

This account records the cost of board member travel and per diem expenses.

**XXXX55XX - Fixed Charges and Other Expenses**

**These accounts record expenses which are of a reoccurring nature related to the operations of a not-for-profit organization.**

**XXXX551X - Office Rent**

This account records the cost of office rent

**XXXX552X - Furniture Rental**

This account records the cost of furniture rental. Lease-purchase agreements which meet the criteria of a capital lease should be recorded as capital outlay.

**XXXX553X - Equipment Rental**

This account records the cost of equipment rental. Lease-purchase agreements which meet the criteria of a capital lease should be recorded as capital outlay.

**XXXX554X - Vehicle Rental**

This account records the cost of vehicle rental. Lease-purchase agreements which meet the criteria of a capital lease should be recorded as capital outlay.

**XXXX555X - Dues and Subscriptions**

This account records the costs of dues and subscriptions.

**XXXX556X - Insurance and Bonding**

This account records the costs of insurance on facilities and liability insurance.

**XXXX557X - Books**

This accounts records the costs of reference materials used by employees and program participants.

**XXXX558X - Depreciation**

This account records the estimated periodic charge against asset values for use, deterioration or obsolescence.

**XXXX559X - Other Expense**

This account records any other expenses not classified above.

**XXXX56XX - Capital Outlay**

**These accounts are used to record cash purchases of fixed assets. When an asset is initially purchased it should be recorded in this account. This will facilitate preparing cash basis grant reports. After all grant reports have been completed, these accounts should be closed to the appropriate asset account.**

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**XXXX561X - Land**

This account records cash outlays for land.

**XXXX562X - Buildings and Improvements**

This account records cash outlays for buildings and improvements.

**XXXX563X - Furniture and Equipment**

This account records cash outlays for furniture and equipment which exceeds the capitalization amount (\$500).

**XXXX564X - Data Processing Equipment**

This account records cash Outlays for data processing Equipment

**XXXX565X - Leasehold Improvements**

This account records cash outlay for leasehold improvements.

**XXXX566X - Expendable Equipment**

This account records the cost of equipment which does not meet the capitalization amount (less than \$500).

**XXXX57XX - Contracts, Grants and Stipends**

**These accounts are used to record contracts, grants or stipends with outside organizations or individuals.**

**XXXX571X - Grants and Contracts**

This account records the amount of grants or contracts with outside organizations. Note: *This account should only represent the amount reported as earned by the outside organization: not the total grant or contract amount*

**XXXX572X - Grants and Contracts- Related Party**

This account records the amount of grants or contracts with outside organizations, where the organization may have an individual serving on the Board of the Local Partnership or otherwise have a relationship which should be disclosed.

**XXXX573X - Stipends**

This account records the amount of stipends provided to individuals.