

## RESTRICTED CONTRIBUTIONS PROCESS

Organizations often receive contributions with donor-imposed restrictions. For example, a donor may specify that a gift be used for the operation of a particular program, the acquisition of property or equipment, or as an endowment, whereby only income generated by the gift may be used for operating purposes. It is extremely important to identify and record any restrictions, implied or clearly specified, on contributions.

The uniform chart of accounts has five accounts that are utilized to record restricted contributions. They are:

442	Donations
446	Grants
448	Bequests
643	Donations (Restricted)
649	Bequests (Restricted)

Accounts 442, 446 or 448 are used when the contribution is for a particular program/ministry (i.e. Religious Education – Children). Accounts 643 and 649 are used when the contribution is restricted as to purpose other than to a program/ministry (i.e. contributions to building fund).

In addition to properly recording restricted assets on the general ledger, the contribution and use of restricted assets should also be tracked. Utilizing QuickBooks Pro 2006, this can be accomplished through the use of “classes”.

### To track income and expenses by class

1. Turn on class tracking under accounting preferences.
2. Add the appropriate classes for your income and expenses.
  - o Go to the Lists menu and choose Class List
  - o Click Class at the bottom of the list and click New
  - o Enter a name for the Class (i.e. Building Fund)
  - o Record the Class
3. Assign a class to each transaction you want to track.
  - o To assign a default class for all line items on a transaction, use the Class field at the top of the transaction form.
  - o To assign different classes for individual line items, use the Class column on the line item. This column is available on most form templates, but not all of them.

It is very important that the class be assigned to all transactions related to the restricted funds because this allows reports to be generated by class. To generate a class report:

1. Select Reports
2. Select Company & Financial
3. Select Profit & Loss by Class

A report will then be generated with all classes for the time period selected (these criteria can be modified through the “Modify Report” tab). This report will be your “Restricted Funds Report” which identifies, at any point in time, the amount of total assets that are restricted as to use as well as can provide a history of the transactions associated with the restricted asset from the date of contribution.

Please note, if the restrictions are met in the same reporting period (within your fiscal year) and were not restricted to purchase a specific item (i.e. contributed \$1,000 to purchase a computer), then the use of a “class” is not required. An example would be if a contribution of \$1,000 is made to help with the costs of your Adult Education and Formation ministry and the annual cost of this ministry exceeds \$1,000.