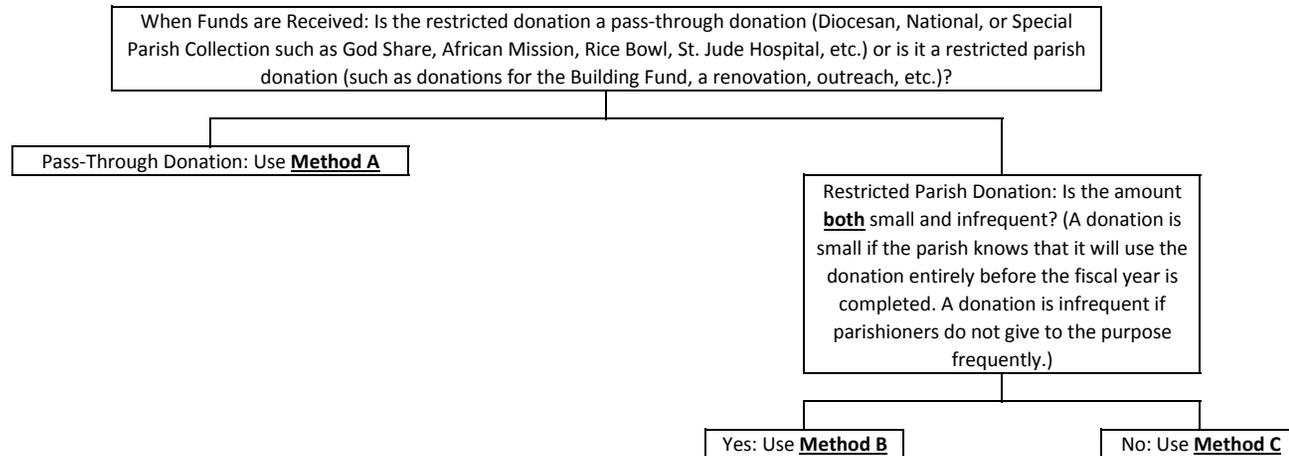


Properly Recording Restricted Funds "Cheat Sheet"



Method A: The restricted funds are recorded as dedicated when received. When the parish pays a bill with this restricted purpose, the bill directly reduces the dedicated account. Example: the parish receives \$1,000 in God Share donations. These funds are recorded with the appropriate dedicated account (in this case, an 8100 account). When the parish pays this \$1,000 of God Share to the diocese, the bill should directly reduce the the dedicated account used to record the initial donation. Income and Expense accounts should not be used in this method.

Method B: The restricted funds are recorded as income when received. When the parish pays a bill with this restricted purpose, the bill will increase the appropriate expense account. Example: the parish receives a small and infrequent donation of \$10 for sanctuary expenses. The parish will record this as income when received. When the parish pays a bill for sanctuary expenses, the bill will increase the appropriate expense account. Dedicated accounts should not be used in this method.

Method C: The restricted funds are recorded as dedicated when received. When the parish pays a bill with this restricted purpose, the bill will increase the appropriate expense account. When the bill is paid, a journal entry will also be performed that debits the dedicated account initially used to record the restricted donation and credits the appropriate expense account by the amount of the bill (or the amount in the dedicated account). Example: The parish receives \$1,000 restricted for building maintenance. These funds are recorded as dedicated when received. When the parish pays a bill for building repairs, the bill will increase the appropriate expense. Also, the parish will perform a journal entry that debits the appropriate dedicated account and credits the appropriate income account by the amount of the bill up to the amount in dedicated. So, if the bill for building maintenance was \$500, the parish performs a journal entry that debits the dedicated account by \$500 and credits the income by \$500, resulting in income of \$500, expense of \$500, and a remaining balance of \$500 in the dedicated fund to be used later. If the bill for building maintenance was \$1,500, the parish performs a journal entry that debits the dedicated account by \$1,000 and credits the income account by \$1,000. (Note that \$1,000, not the full amount of the bill, is used because the donations for the restriction total to \$1,000. If the full amount of the bill was used in this situation, the dedicated account would become negative which is improper.)

IMPORTANT NOTE

Please note that, in all of the above methods, **dedicated accounts should not be negative**. If dedicated accounts are negative after all transactions are made, errors were made. Note that you can only use dedicated funds in the amount you have dedicated for the purpose. If the bill exceeds the amount you have dedicated, you must record the excess as expense with no offsetting income. We strongly recommend that the parish review the dedicated account balances immediately after these transactions occur to verify the correct journal entries were made.