

BOOKKEEPING FOR CONTRIBUTIONS

Current, Future or Past Years

Our bookkeeping systems simultaneously track contributions for the purpose of donor recognition and documentation for tax deductibility, as well as for comparison from year to year for the organization. If donors pre-pay a pledge for a future year, or complete a pledge for a prior year, this can skew an organization's reporting and analysis of their contributions. This is easily remedied by procedures that incorporate donor intent into the regular bookkeeping. For an example of the crucial difference this can make, see pages 59-63 of the *Church Finance Handbook*.

Contributions for Current Year

A contribution that is made for the current year is recorded on the date received, often deposited weekly on Sundays:

Bookkeeping:

- On date of gift, deposit:
 - Account = Pledge/contribution Income
 - Fund = General Fund

Contributions for Future Year(s)

A contribution that is made for a future year is a donor-restricted gift that is restricted by time. It is important to give the donor credit on the date that the organization receives the gift (or on 12/31 if the contribution received in early January meets the delivery/postmark requirements). However, it is equally important that the organization's financial statements show the income in the proper time period according to the gift's intent.

Bookkeeping:

- On date of gift, deposit:
 - Account = Pledge/contribution Income
 - Fund = Next Year's Fund
- On date of availability, journal entry:
 - Credit
 - Account = Pledge/contribution income
 - Class/Fund = General Fund
 - Debit
 - Account = Pledge/contribution income
 - Class/Fund = Next Year's Fund

Contribution for Prior Year(s)

A contribution that is made for a past year is a gift that is received as income on the date that the organization received the gift (or on 12/31 if the contribution received in early January meets the delivery/postmark requirements). However, it is equally important that the organization's financial statements show the income in the proper time period according to



the gift's intent. To do this, set up one customer named something like "Congregation Member."

As of the end of the year just ended, evaluate outstanding pledges to determine which will be fulfilled. This would be those that have actually been paid in the early months of the next year, and those whose donors have indicated their intent to pay. At the point that the books are "closed," the only pledges receivable should be those with a donor's written intent to pay, including the date by which they plan to pay. Note that if you include an unpaid pledge that is ultimately not paid, you will have to book a reduction in current year income labelled "less unpaid prior year pledges."

Bookkeeping:

- On 12/31
 - Invoice
 - Account Receivable = Pledges Receivable
 - Customer = Congregation Member
 - Item = Contribution (mapped to Pledge/contribution Income)
 - Amount = amount of gifts received on a certain date in the next year
 - Class/Fund = General Fund
- On date of gift:
 - Receive Payments
 - Name = Congregation Member
 - Amount, payment type, check number
 - Deposit
 - Include payment in the deposit

Donors should receive acknowledgment of their gifts based on the date the organization received the gift. Information about fulfillment of past, current and future year pledges can also be included, as long as the year of tax deductibility is clearly presented.

For further information about the proper acknowledgement of contributions, see pages 15-19 of the *Church Finance Handbook*.