



Board Designated Funds

Using QuickBooks

QuickBooks does not make it easy to depict funds set aside by the Organization's Board in one year and used in a future year. Here are some step-by-step ways to set up and manage Board designated reserve funds using QuickBooks.



Recording Reserve Activity

The Board may approve setting aside designated reserves to be used for specific projects, programs or simply to be used in the future. Because the funds will be set aside in one period and used in a different period, it can be challenging to present the set aside and usage of these funds in future periods, within an accounting system such as QuickBooks.

The following steps will walk you through setting up and releasing of reserves using QuickBooks. The amounts and dates are used as examples. All of the entries used will be in the form of journal entries.

Step 1: Add new accounts to the chart of account. Specifically, the headings and sub-accounts should be set up as follows:

Type	Account #	Description	Subaccount of
Income	5000	Designations released (header only)	
Income	5500	Board designated release	Designations released
Other income	9800	Board designated activity (header only)	
Other income	9850	Designated income released	Board designated activity
Equity	3800	Without donor restriction (header only)	
Equity	3810	Undesignated	Without donor restriction
Equity	3820	Board designated - operations	Without donor restriction
Equity	3830	Board designated - endowment	Without donor restriction

Step 2: When the Board approves the establishment of the reserve, make the following entry to the Balance Sheet:

To record Board designated reserve				
When to make entry	Date	Account	Debit	Credit
When reserve is established	07/01/2017	3810 · Undesignated (net assets)	4,000	
		3820 · Board designated - operations		4,000

Step 3: When the Board authorizes release of funds in the future period, make the following entry to the P&L Statement and Balance Sheet accounts:

To release Board designated reserve funds into general operations				
When to make entry	Date	Account	Debit	Credit
P&L: Other income changes	08/15/2017	9850 · Designated income released	2,500	
		5500 · Board designations released		2,500
Balance sheet: Equity changes	08/15/2017	3820 · Board designated - operations	2,500	
		3810 · Undesignated (net assets)		2,500

Rule of Thumb

Never mix P&L activity with Balance Sheet activity. When you make an entry, be sure to stay within the statement. For example, the equity entries are just between two balance sheet accounts; the income released is just between two P&L statement accounts.

The next page shows how recording these transactions look in the final financial reports in QuickBooks.



Presenting Reserve Activity

Assuming you have set up and prepared the journal entries correctly, this is how these entries will affect the P&L Statement and Balance Sheet in QuickBooks (new accounts are highlighted):

P&L Statement		Balance Sheet	
Ordinary Income/Expense		ASSETS	
Income		Current Assets	
4000 · Contributions		Checking/Savings	
4100 · Government grants		1050 · Checking account	
4200 · Program service fees		1250 · Pledges receivable	
4300 · In-kind donations		Other Current Assets	
4400 · Special events, net		1500 · Prepaid expenses	
4800 · Investment income		1710 · Deposits	
5000 · Designations released		Total Other Current Assets	-
5500 · Board designations released	2,500	Total Current Assets	-
Total 5000 · Designations released	2,500	Property and Equipment	
Total Income	2,500	1800 · Office Furniture and Equipment	
Expense		1850 · Accumulated Depreciation	
7000 · Payroll expenses		Total Property and Equipment	-
8100 · Supplies		TOTAL ASSETS	-
8400 · Occupancy			
8500 · Equipment and repairs		LIABILITIES & EQUITY	
9500 · Miscellaneous		Liabilities	
9600 · Depreciation and amortization		Current Liabilities	
Total Expense	-	2010 · Accounts Payable	
Net Ordinary Income	2,500	Total Current Liabilities	-
Other Income/Expense		Total Liabilities	-
Other Income		Equity	
9800 · Board Designated Activity		3800 · Without Donor Restriction	
9850 · Designated income released	(2,500)	3810 · Undesignated	(1,500)
Total 9800 · Board Designated Activity	(2,500)	3820 · Board designated - operations	1,500
Total Other Income	(2,500)	Total 3800 · Without Donor Restriction	-
Net Other Income	(2,500)	Net Income	-
Net Income	-	Total Equity	-
		TOTAL LIABILITIES & EQUITY	-

It is important to keep “Ordinary Income/Expenses” as your normal operations and all the “Other Income/Expense (aka: “below the line”) activity as a separate bucket of data that fuels normal operations by way of releases.

While this article only addresses Board designated reserves, for more information on how to set up other restricted funds, see our article [HERE](#).