UNEARNED REVENUE

Parishes are required to report financial information on a modified accrual basis, with revenues for tuition, related fees and athletics fees recognized as earned rather than when received. Unearned revenues reflect the amount that will be recognized as income once services have been rendered or participation has occurred, net of any adjustments for withdrawals or additional participation. The liability is amortized to income over the course of the school year by way of journal entry.

    A. ENTRY

Our current policy is to bill tuition and fees at the beginning of the year with the invoice routing to unearned tuition and fees accounts (27xxxx), which are amortized to income over the course of the school year. Tuition is then typically amortized evenly over a nine, ten or twelve month period. Unearned Tuition should be supported by an amortization table which shows invoices, less adjustments and amortization entries to arrive at Unearned Tuition balance for the given month. Book Fees and Registration Fees are amortized over a shorter time frame, either in one entry of over the first quarter to offset early textbook and supply costs.

The entry sequence in Quickbooks would be:

    1. Create an Item for the invoicing of the coming year's tuition.   This item should track to an Unearned Revenue (27xxxx) account designated for the coming school year.
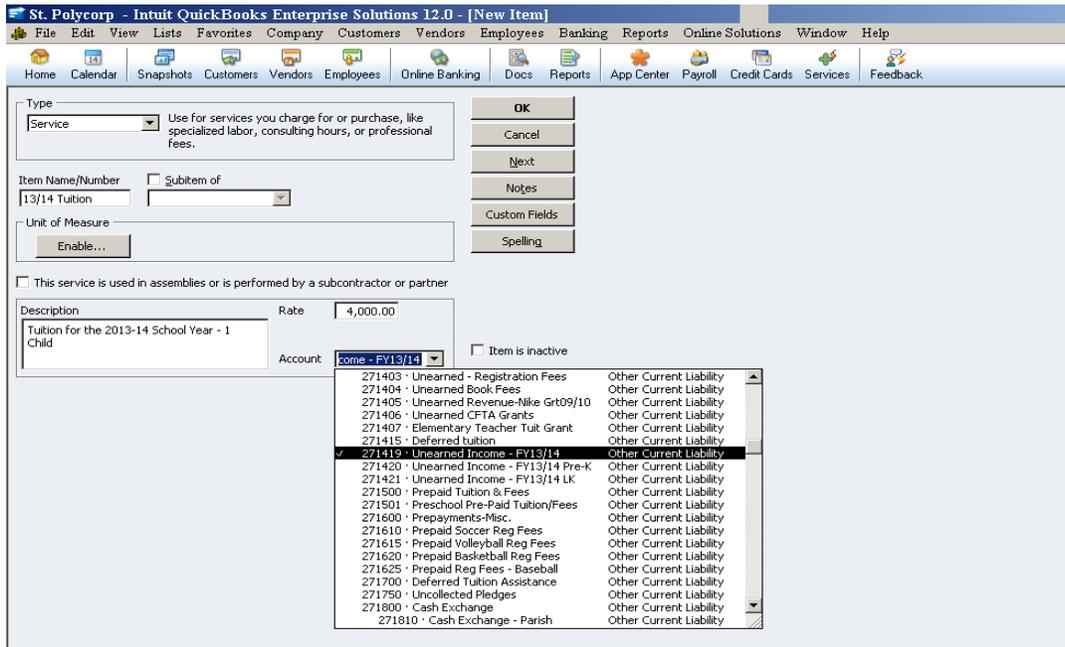
2. Create an invoice for each family registered.   As stated under the Accounts Receivable module, the A/R account used to record the invoice should be a separate A/R account set up to record the transactions of the coming year. Invoices can be created any time after registration, but should be dated no earlier than July 1st.
3. Use the appropriate tuition item for the coming year that tracks to the appropriate 27xxxx account.
4. Once all invoices are recorded, the total amount in the 27xxxx account will be the beginning Unearned Revenue balance for the coming year.
5. A schedule for revenue recognition should be established by the school and the calendarized budget should reflect this schedule.
6. The schedule should be set up to detail additions, subtractions, amount to recognize (amortize) and the unearned balance for each month of the fiscal year.
7. Once the schedule has been updated with activity for the month, a journal entry is made that credits revenue and debits the unearned account

	Debit	*Credit*
27xxxx (Unearned)	*$58,360.30*	
441100 (Tuition)		*$58,360.30*
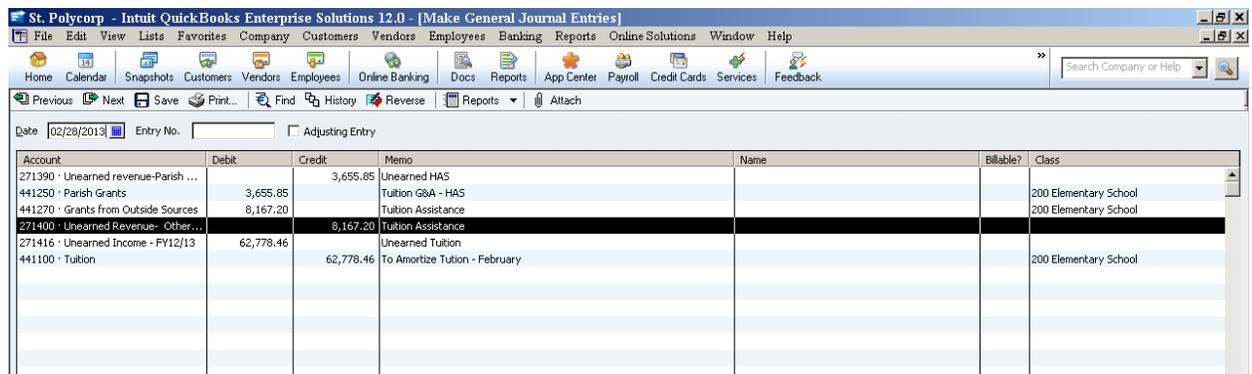
8. Schedules should be created for each form of revenue or assistance.   Examples would include:
   a) ***Parish/School Hardship Awards:*** The school will amortize these grants to contra-revenue tuition assistance accounts over the course of the year.
   b) ***Catholic Family Tuition Assistance, Teacher Tuition Assistance and Parish Employee Endowment, Alive in Christ:*** Billing items should be created for these grants using separate unearned revenue accounts for each.   Credit memos can be issued after July 1st for any awards granted. These awards are held on the balance sheet until the grant funds are received. In this way the grant revenues offset the awards when received.   A journal entry moving the unearned to the contra-revenue account would be entered upon receipt of the grant monies.

	Debit	Credit
27xxxx CFTA		*$5,500*
441220 CFTA	*$5,500*	

The offsetting deposit recognizes the receipt of the grant monies:

	Debit	Credit
111000 Cash	*$5,500*	
461210 CFTA		*$5,500*

c) **Pre-School or PSR Tuition**:   The school should amortize tuition in the same manner as outlined above.

d) **Fund Raising, Technology, Textbook or Other Fees:**   The school will amortize these fees based on the expected payment date.   This could be an entry recognizing the fee in one month or over the course of the school year. If the fee is non-refundable, it can be recognized in its entirety when due. If the fee would be pro-rated and refunded in the event of an early withdrawal, it should be amortized on the same schedule as tuition.

e) **Athletics Revenues:** Some parishes account for athletics as a whole while others account for each sport separately over the applicable seasons for management purposes. If the parish amortizes athletics revenues and prepaid costs, these accounts should be supported by an amortization table.

B. RECONCILIATION

There is no specific reconciliation feature in QuickBooks for Other Liabilities.   However, a reconciliation process would include updating the excel schedule with activity for the month. The excel schedule should be created so that it calculates the monthly entry to recognize.   This formula would take the Current Unearned Balance +   the Net value of adjustments (new invoices/credit memos). This would be divided by the remaining months in the schedule to produce the proper entry.   The schedule should be set up to estimate the remaining month's amortization, with the balance reducing to 0 by schedule completion date.
See example outlined below.

12/13 Tuition

	Period	Additions	Subtractions	Amortization	Balance
	Jul	$ 540,467.00		$ -	$ 540,467.00
	Aug	$ 53,638.00	$ 8,428.00	$ -	$ 585,677.00
10	Sep	$ 7,460.00	$ 9,534.00	$ 58,360.30	$ 525,242.70
9	Oct	$ -	$ -	$ 58,360.30	$ 466,882.40
8	Nov	$ -	$ 3,571.32	$ 57,913.89	$ 405,397.20
7	Dec	$ 2,107.00	$ -	$ 58,214.89	$ 349,289.31
6	Jan	$ 3,708.56	$ 2,568.45	$ 58,404.90	$ 292,024.52
5	Feb	$ 5,983.50	$ -	$ 59,601.60	$ 238,406.41
4	Mar	$ -	$ 1,703.16	$ 59,175.81	$ 177,527.44
3	Apr	$ -	$ -	$ 59,175.81	$ 118,351.63
2	May	$ -	$ -	$ 59,175.81	$ 59,175.81
1	June	$ -	$ -	$ 59,175.81	$ -

12/13 Pre-K Tuition

	Period	Additions	Subtractions	Amortization	Balance
	Jul	$ -		$ -	$ -
	Aug	$ 54,648.00	$ -	$ -	$ 54,648.00
10	Sep	$ 5,450.50	$ 3,177.00	$ 5,692.15	$ 51,229.35
9	Oct	$ -	$ -	$ 5,692.15	$ 45,537.20
8	Nov	$ -	$ -	$ 5,692.15	$ 39,845.05
7	Dec	$ -	$ 2,450.00	$ 5,342.15	$ 32,052.90
6	Jan	$ -	$ -	$ 5,342.15	$ 26,710.75
5	Feb	$ 2,152.00	$ 8,778.00	$ 4,016.95	$ 16,067.80
4	Mar	$ -	$ 1,836.00	$ 3,557.95	$ 10,673.85
3	Apr	$ -	$ -	$ 3,557.95	$ 7,115.90
2	May	$ -	$ -	$ 3,557.95	$ 3,557.95
1	June	$ -	$ -	$ 3,557.95	$ -

C. WORKPAPERS

Workpapers should include the following:

1. Trial balance with a filter for all 27xxxx accounts only and select the advanced option for non zero accounts only.
2. A separate amortization schedule for each account in this section of the Balance Sheet.

D. CONTROLS, COMMON ERRORS, ISSUES

1. Recording invoices or credit memos outside of the date range or after workpapers have been completed.
2. Creating a schedule that will compare A/R against the Accounts Receivable to determine any entries needed for anticipated bad debt.
3. Recording Prepaid items to Unearned Revenue Accounts