



DPC BOOKKEEPER

Built for Direct Primary Care

Membership Revenue Recognition Guide

Annual vs. monthly, refunds, and prorations, done right.

v1.0 | 2026

A companion to the DPC Pre-Launch Playbook.

The trap with annual memberships

A member pays 1,200 dollars upfront on January 1. The cash feels like income. It is not, not all at once. You owe that member twelve months of care. In January you earned 100 dollars. The other 1,100 dollars is money you hold but have not earned yet.

Book the full 1,200 in January and your books lie. January looks strong. Every month after looks weak. If the member cancels in June and asks for a refund, you may have already spent money that was never yours.

What deferred revenue is

Deferred revenue, also called unearned revenue, is money you collected for care you have not delivered. It sits on your balance sheet as a current liability until you deliver. Each month you serve the member, a slice moves from liability to earned income.

The monthly mechanics

On an annual payment of 1,200 dollars, record 1,200 to your bank and 1,200 to Deferred Membership Revenue. Each month you serve that member, move 100 dollars out of Deferred Membership Revenue and into Membership Revenue. By December 31, the full 1,200 has moved to earned revenue and the liability for that member is zero.

Event	Debit	Credit
On annual payment	Bank 1,200	Deferred Membership Revenue 1,200
Each month of service	Deferred Membership Revenue 100	Membership Revenue 100

Set it up in QuickBooks Online

Add a Deferred Membership Revenue account under Current Liabilities in your chart of accounts. On each annual payment, deposit to your bank and record the matching amount as deferred revenue.

At month end, post one journal entry that moves one twelfth of every active annual membership into earned revenue. Ten annual members at 1,200 dollars each means a 1,000 dollar monthly entry.

This is where a bookkeeper who knows DPC earns the fee. The entries are simple. Doing them right, every month, is the part people miss.

Cash basis vs accrual

Most small businesses use cash basis: income when received, expense when paid. Simple, but it hides the timing of your membership revenue. Accrual matches revenue to the month you earn it. Ask your CPA which method fits your practice.

Refunds and your membership terms

Your refund terms set your exposure. Non-refundable after 30 days limits your liability after month one. Pro-rated refunds make your deferred balance a real possible cash outflow.

Write your refund terms into the membership agreement, plainly. A common approach: a 30-day money-back guarantee, then no refunds on prepaid annual terms. Fair to members, and it caps your risk. A growing deferred balance is a good sign. The money is already collected. Keep enough in the bank to cover refunds you might owe.

Pricing annual plans

Discount annual memberships modestly, usually 10 to 15 percent off the monthly equivalent. Enough to reward the prepayment, not so much that you give away margin.

Note. This is general bookkeeping education, not advice for your situation. Your CPA confirms the method that fits your practice, and a bookkeeper sets up the deferred revenue account and runs the monthly entries.

THE BOTTOM LINE

Annual membership money is not all earned on the day it lands. Set up a deferred revenue account, recognize one twelfth each month, and keep your refund terms clear. Every month stays honest.

Get your membership revenue booked right

We set up deferred revenue and run the monthly entries so every month of your books tells the truth.

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