

Restricted donations

A restricted gift results either from a **donor's explicit stipulation** or from circumstances surrounding the receipt of the contribution that make clear the donor's implicit restriction on use (FASB 116, ¶14).

Both accounting requirements and Canon Law address the concept of restricted gifts (Canon 1267, §3). Parishes will from time to time solicit or receive funds either temporarily or permanently restricted by the donor for a specific purpose. Parishes are required to honor the intentions of the donor. Parishes may not use monies given for a restricted purpose for other purposes without the permission of the donor.

Parishes solicit funds for a variety of needs. Some of these relate to projects that are general in nature and the collection of capital funds is more akin to a maintenance and repair than a capital improvement (e.g.: maintenance collection). These funds are not considered restricted gifts. In fact, the "matching principle" of accounting dictates that you should attempt to match expenses with related revenues so that a report of a parish's operations for a specific time period is more meaningful and accurate. Therefore, if you are receiving funds to cover your ordinary operations and maintenance, those revenues should generally be considered ordinary revenue.

Other solicitations relate to the infrequent need to raise capital for a specific major capital project, however, the parish is not actively engaged in an approved capital campaign. Restrictions created through the proceeds of any event (or non-capital campaign) must clearly state in all marketing material that the proceeds are restricted for a particular purpose.

A Parish/School is also required to obtain the Bishop's approval for all anticipated capital projects exceeding \$25,000. Additionally, your Regional Administrative Officer should be apprised of all material fundraising initiatives and planned projects since the event may significantly impact the Parish/School's budget.

A donation that is evidenced in writing and clearly stipulated by the donor as to its specific intended use is clearly restricted, even if the donation is not part of an approved capital campaign.

Another example of a restricted donation would include a bequest, whereby the donor specifies that the funds must be used for a specific purpose. Note: If a parish receives notification that they are benefiting from a restricted bequest, they should notify the Diocesan Office of General Counsel. All restricted bequests need to be reviewed by legal counsel to ensure that the Parish will be in a position to comply with the restrictions.

Whether the restricted funds are raised as a result of a capital campaign, donor solicitations, or unsolicited restricted donor contribution or bequest, in all instances, restricted funds would need to be properly recorded in order to ensure they are not commingled with donations that bear no restrictions.

Financial Reporting: Restricted assets should be disclosed on the balance sheet in the net assets section as either temporarily restricted or permanently restricted. Temporarily restricted assets relate to gifts where the restriction expires with the completion of a project or with the passage of time. Permanently restricted assets relate to a gift where the principal is to be preserved but earnings generated from the principal may be used currently.

A restriction expires when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled. Upon expiration or release of restriction the asset will be transferred from the appropriate restricted fund balance to the unrestricted fund balance.

Example of the Journal Entry to remove the restriction of the net asset:

Debit:	Temporarily Restricted Net Assets	\$xxxxx
Credit:	Unrestricted Net Assets	\$xxxxx

Required Documentation: Donor-imposed restrictions require documentation from the donor: i.e.: a letter, stating the purpose of the restriction. Copies of the documentation should be forwarded to your Regional Administrative Officer, and should be kept on file for a period of seven years after such time as the restriction is lifted. Event or campaign-related restrictions will require all relevant documentation be retained for a period of three years after completion of event or campaign. All initial and ongoing documentation related to such event and campaign must be forwarded to your Regional Administrative Officer.

Should the Parish seek to change or release funds from a restriction, written permission from the donor would be required.

Parishes will often accumulate savings from general parish funds for future building projects or capital needs. Although the parish and its finance committee may be earmarking these funds for future capital use, they are not considered restricted funds. These funds are considered internally designated funds. A school or parish may also decide to sponsor a social activity or event, and designate that the funds raised from the event be used for a particular purpose. These are also considered designated funds.

Should you have any questions or require additional guidance as it relates to how to properly classify donations, please contact your Parish Administrative Support Team.

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