



ARCHDIOCESE
of MILWAUKEE

Parish Income (Unrestricted, Restricted & Designated)

Parish & School Financial Consulting

Table of Contents

1. [Why does this matter?](#)
2. [Unrestricted Income](#)
3. [Restricted Income](#)
4. [Unrestricted/ Designated Income](#)
5. [Unsolicited Restricted Donations](#)
6. [Examples](#)
7. [What type of Income is it Cheat Sheet](#)
8. [Contact Info](#)

Why does this matter?



Accounting standards require that nonprofits report income in two categories: with donor restriction and without donor restriction



Parishes have an obligation to the donor to use restricted funds properly



It helps keep the parish financial reporting clean as to what revenue, expenses and funds are restricted vs. operating



It makes completing the CFS (Confidential Financial Statement) easier



The Archdiocesan assessment is based on unrestricted revenue

Unrestricted Income

Unrestricted Income: Any Income that a Parish or School receives that is not legally restricted by the donor.

Examples

- a) Offerings collected (cash & envelopes)
- b) Loose change offerings
- c) Holy Day envelopes / cash and loose change
- d) Investment Income from unrestricted investments
- e) School tuition
- f) Fundraisers
- g) Bequests and memorials
- h) Rent (not an expense offset)

Restricted Income

Income that a Parish or School receives:

- 1) From a donor,
- 2) In writing, and
- 3) States a specific purpose for the funds.

Note: If any one of the three requirements is missing, the income is unrestricted.

Examples:

- a) Funds raised as part of a capital campaign
- b) Donation to a parish for capital needs
- c) Parish or School Endowment Income
- d) Cemetery Income

Unrestricted / Designated Income

Income that a Parish or School receives that is not legally restricted by the donor, which the parish sets aside for a specific purpose.

Examples:

- a) Funds belonging to affiliated organizations such as Athletics or Christian Women
- b) A savings account for capital improvements that is funded through accumulated profits
- c) Funds set aside from a bequest that the Finance Council wants to use for a parking lot in a future fiscal year.
- d) Funds set aside from the profits of an auction that the school wants to use for Chromebooks in the next fiscal year

What to do about Unsolicited Restricted Donations?

- If a donor gives a Restricted contribution that isn't a result of an “ask”, you have a choice. If you accept the gift with strings attached, that money becomes restricted to that purpose.
- Example: A donor wants to give St. Adelina \$40,000 for a Bell Tower. If the Parish accepts the Restricted gift the funds must be used for a Bell Tower.
- What if St. Adelina's Parish Leadership did not want a Bell Tower?
 - You are not obligated to accept Restricted gifts.
 - One option: ask the donor if the money can be used for other purposes. If the donor is gracious enough to agree in writing, the money may be redirected to the other purpose(s).

Example #1

Question: St. Adelina is undertaking an addition to the school. The parish conducts a capital campaign to raise \$1,000,000 to pay for the addition.

Answer: Restricted

Considerations:

- 1) Proxy: the parish needs proxy approval to conduct a capital campaign
- 2) This project will need to be approved by the Archdiocesan Building Commission
- 3) How will you account for this Capital Campaign? Its important to create accounting procedures for how Pledges, Cash, Income & Expense will be recorded/ reported.
- 4) What if the project raises more than \$1,000,000? Have a contingency! Have a catch all statement like “Additional funds will be used for future Capital Projects”.

Example #2

Question: St. Adelina had a net surplus of \$50,000 at the end of the fiscal year. They decide to set aside the surplus for building maintenance expected to be performed in a future fiscal year. The parish formalizes this through action of the Finance Council.

Answer: Unrestricted/ Designated

Considerations:

1. Do the minutes/notes from the Finance Council meeting reflect this decision?
2. Ensure that the funds are properly recorded on the Balance Sheet.
3. The parish must report a \$50,000 surplus on the Confidential Financial Statement. There is no option to “defer” revenue or “pre-expense” the maintenance.

Example #3

Question: A donor comes forward and offers St. Adelina \$60,000 for a columbarium.

Answer: Restricted

Or is it?

Considerations:

1. Is the donor's intent in writing?
2. Does the parish want a columbarium?
3. What if the columbarium costs more than \$60,000? Less than \$60,000?
4. The Parish needs Proxy approval, Archdiocesan Building Commission approval, etc.

Example #4

Question: The Christian Women's group has \$12,520 in its checking account. The money was raised through bake sales during the last fiscal year.

Answer: Unrestricted / Designated

Considerations:

1. Does the Christian Women's group have bylaws? Do the bylaws indicate the purpose of the group's fundraising efforts?
2. Is the pastor/administrator a signer on their bank account?
3. Is their bookkeeping run through the parish books? It should be!

Example #5

Question: St. Adelina receives a \$250,000 Bequest.

Answer: Unrestricted

Considerations:

1. Parish leadership can “designate” the funds, but the bequest is unrestricted unless the donor puts a restriction on their bequest. This should be documented in the will or some other legal document.
2. For accounting purposes, the amount of the bequest must be reported as income in the period in which the funds were received.
3. What if the donor’s children ask the parish to use the funds for a specific purpose? The Parish could honor the request but are not obligated. The Bequest would not become restricted though.

Example #6

Question: A parishioner passes away. In the obituary, the family requests that all donations be made out to St. Adelina Parish. The daughter of the deceased comes in a few weeks later with 50 checks totaling \$3,800. The daughter asks that the money be used for technology in the school. She is willing to put that in writing.

Answer: Unrestricted

Considerations:

1. The daughter is not the donor, so there is no true restriction.
2. For financial reporting purposes, the donation is unrestricted, but if the parish would like to honor the daughter's wishes, the funds could be designated by the Finance Council.

What type of Income is it?

Unrestricted

- Any Income that a Parish or School receives that is not legally restricted by the donor.

Designated

- Income that a Parish or School receives that is not legally restricted by the donor, but the parish sets aside for a specific purpose.

Restricted

- Income that a Parish or School receives from a **donor**, in **writing**, stating a **specific purpose** for the funds.

If you have any questions
email:

ParishFinance@archmil.org



ARCHDIOCESE *of* MILWAUKEE
PARISH & SCHOOL
Financial Consulting