

Recording Restricted Funds

Restriction is set by Donor

When a parish receives funds from a donor, and the donor indicates that the funds are to be used in a certain way, the following should be done:

- The parish must determine if the restriction is appropriate. If the restriction is inappropriate, the parish must turn the donation away unless the donor is willing to amend their restriction to something appropriate. If the staff is unsure about the appropriateness of a donation, they must consult with the parish pastor. If the pastor is unsure, he must consult with the Diocesan Chancery Office.
 - Example: An individual enters the parish and hands the staff a check for \$100,000 to be used for future building needs. This donation is appropriate.
 - Example: An individual enters the parish and hands the staff a check for \$100,000 to be used for the current building project. The individual also designates that the funds should cover a statue of himself to be made and placed near the altar. This donation is inappropriate and should be returned to the individual. If the individual is willing to remove the statue restriction, the donation could be deemed appropriate.
 - Example: An individual enters the parish and hands the staff a check for \$100,000 to be used for the current building project, and never anything else. The current building project only costs \$50,000. The donation is inappropriate because the restriction is too strict, so the donation should be returned to the individual. If the individual is willing to amend their restriction to be less strict, the donation could be deemed appropriate.
- After the donation is deemed appropriate, the parish should record the donation using the appropriate dedicated account. If the donation is small and for something the parish spends funds on regularly, it can be recorded as restricted income rather than dedicated.
 - Example: An individual enters the parish and hands the staff a check for \$100,000 to be used for future building needs. The parish should record this in the building fund dedicated account.
 - Example: An individual enters the parish and hands the staff a check for \$25 to be used for parish cleaning. The parish spends over \$25 for cleaning supplies in any given month. The parish should record this as restricted income.

Restriction is implemented by Parish

There are times when a parish may wish to restrict some of its regular collection for a specific purpose (Example: Parish A has decided to restrict \$1,000 a month from its regular collection for future building projects). This practice is perfectly acceptable. When the parish chooses to implement this practice, the following should be done:

- Written documentation of the implementation of this practice should be acquired. Acceptable forms of written documentation include meeting minutes or an email from the pastor to the business manager.
- Each time funds are restricted, the parish should debit the “contra-income” account 4001.00PAD Regular Collection moved to Restricted and credit the applicable dedicated account. This will increase the dedicated account and decrease the overall income presented on the parish Statement of Activities. Note: the “contra-income” account will, and should, have a negative balance.

Example A: The parish of Our Lady of Perpetual Funds would like to restrict 5% of all regular collections received each month for future building projects and needs. In March, the parish receives \$100,000 in Adult Collections, \$20,000 in Loose Collections, and \$5,000 in Children Collection, totaling to \$125,000 for the month. As these collections come in, the parish should record them as 100% income. At the end of the month, the parish wishes to make the adjusting journal entry to restrict 5% of these collections (\$62,500). The adjusting journal entry would be:

Account	Debit	Credit
Contra-income account	\$ 62,500.00	
Building Fund Dedicated		\$ 62,500.00

Example B: The parish of Our Lady of Needy Individuals would like to restrict \$1,000 of all regular collections received each month for parish outreach. In September, the parish receives \$100,000 in Adult Collections, \$20,000 in Loose Collections, and \$5,000 in Children Collection, totaling to \$125,000 in September. As these collections come in, the parish should record them as 100% income. At the end of the month, the parish wishes to make the adjusting journal entry to restrict \$1,000 of these collections. The adjusting journal entry would be:

Account	Debit	Credit
Contra-income account	\$ 1,000.00	
Outreach Dedicated		\$ 1,000.00

Note: When the parish wishes to restrict some of its regular collections, the regular collection income accounts are not affected.