

Donor Restricted Gifts and Net Assets

Donor restricted gifts are a frequent occurrence in parish life. In many cases, these gifts are a critical source of funds for specific parish objectives. Proper custody of contribution dollars and record keeping related to donor gifts is required to maintain donor confidence and provide financial transparency.

Donor gifts flow through the Statement of Activities as revenues and expenditures based on parish financial policy and accounting rules. From the time of receipt until a donor gift is fully spent, a running balance of funds remaining must be maintained on the Statement of Financial Position.

Donor gift balance tracking is performed in the appropriate net assets section of the Statement of Financial Position. Donor gifts can be classified as unrestricted or as temporarily or permanently restricted, depending on the nature of the contribution.

Unrestricted net assets represent assets less liabilities. The net asset balance represents the accumulated operating surplus or deficit since the inception of the parish. This includes both cash and non-cash activity.

Board-designated net assets are a subset of unrestricted net assets. A board may earmark a donation or operating funds for a specific purpose. Board-designated fund balances are considered unrestricted because a board may reverse or change funding decisions.

Temporarily restricted net assets represent contributions received with a donor-imposed restriction that will be satisfied either by the passage of time or by spending the funds for a specified purpose.

Permanently restricted net assets represent contributions that are restricted in perpetuity. Typically, these funds grow until the fund reaches a specified value. The investment earnings may be distributed to the parish based upon a predetermined formula. Specific conditions and restrictions are usually laid out in a trust document.

Common pitfalls include:

- Failing to identify and track contributions that are restricted;
- Tracking and recording activity as restricted activity when it is unrestricted;
- Tracking and recording board dedicated activity as restricted activity;
- Failing to segregate cash and investments to satisfy separation of restricted/dedicated funds from operating funds;
- Failing to release restrictions that have been fulfilled; and
- Recording and tracking pass-through activity as restricted or dedicated.

For many parishes, net asset accounting can be challenging. Once implemented, however, proper net asset accounting provides great value. The relevance of the net asset categories is to ensure that a parish is tracking restricted contributions appropriately and donations are being utilized as donors intended.

Net asset category reporting provides transparency and provides information as to whether a parish has segregated sufficient restricted funds from operating cash accounts.

School Financial Reporting Process

CFC has again offered to complete the Archdiocesan Schools Report, (formerly known as the MCEA Survey), Part 3 Section B financial request **for K-8 schools** this fall. This is a **free service offered to K-8 schools**.

If you would like CFC to assist you with the completion of this report, please email your detailed 2015 year-end financial data in an excel format to mvang@catholicfinance.org as soon as it is final. Thank you for your participation in this process. Please contact Mary Vang at (651) 389-1074 with any questions.

Cooperative Purchasing Program Update

Catholic Finance Corporation continues to see growth in the Cooperative Purchasing Program. Cooperative purchasing is provided for Catholic institutions in our Archdiocese for 12 areas of products and services, including technology, office supplies, asphalt, roofing, cellular service, trash hauling, lighting, cleaning, copiers, financing, document shredding, and payroll services. Below are a few statistics from the past calendar year.

- Fifteen parishes utilized the program to repair or replace parking lots.
- Office supplies purchased increased 50% from the prior year.
- Parishes have begun to purchase copiers instead of leasing as a way to save over the long term.
- Parishes continue to lower their interest costs through new and different mechanisms of financing.

If you would like to pursue a specific project or would just like to learn more, give Mike Laughery a call at (651) 767-3665.

Top 10 Budgeting Tips

With the holiday season just behind us, most leadership and administrators are starting to think about the upcoming budgeting process. To assist in this process, CFC provides the following top 10 budgeting tips for your consideration.

The budget:

1. is connected to the mission (ministry);
2. addresses current economic and demographic realities;
3. includes a provision for reserves;
4. connects to a capital improvement plan (or repair and replacement schedule);
5. separates operating, cemetery and capital activity;
6. includes realistic revenue and expenditure assumptions;
7. is a multi-year budget;
8. includes allocations of expenses;
9. reflects anticipated staffing changes; and
10. includes realistic fundraising expectations.

Feel free to contact CFC to discuss the top 10 budgeting list or to address any budgeting questions you may have.

Catholic Finance CORPORATION

5826 Blackshire Path
Inver Grove Heights, MN 55076
Phone: (651) 389-1070
Toll Free: (877) 232-2250
Fax: (651) 389-1071
Email: info@catholicfinance.org
www.catholicfinance.org