

THE ROMAN CATHOLIC

# ARCHDIOCESE OF ATLANTA



## Accounting for Restricted Donations Fundraising and Ministry Funds

February 2022

This document has been compiled to assist those parishes and schools in understanding donation accounting in relationship to revenue and liability/exchange account usage. The simplest way to determine if a donation belongs on the statement of activity as revenue or on the statement of financial position as a liability exchange account is to determine if the funds benefit the parish/school directly or another organization. We highly recommend accounting for transactions as detailed below and ask the Archbishop and CFO for assessment exclusion, as necessary. Your parishioners deserve full transparency for their donations acknowledgment on donation statements. Fundraising is not included in donation statements as the individual receives something for the donation/payment. Below is a chart detailing how each of these types of funds should be accounted:

<b>Donation/collection Type</b>	<b>Liability or Revenue</b>
Donation/fundraising collected for another organization	Liability
Parishioner Donation for parish or pastor benefit	Revenue
Fundraising/Ministry group pays for something to benefit the parish/school	Revenue
Fundraising/ ministry group to pay for their own activity	Liability

To explain this chart in more detail and give examples of each with the corresponding accounting, please see details below:

### Donation for Other Organizations

**Donation of funds:** Many parishes and schools collect for other organizations. The most common of these organizations is the local Saint Vincent de Paul, Habitat for Humanity, Pregnancy Aid Centers, disaster relief, parishioner hardships, sister parishes in other countries, etc. These collections are recorded just like the Archdiocesan second collections as a liability until remitted to the organization.

**Fundraising:** Parishes fundraise for other organizations. Here are 3 examples:

1. A parish hosts an annual golf tournament to benefit various other local charities in the community. 100% of the net proceeds are paid out to other local organizations and thus the event is correctly accounted for in a liability account.
2. The community hardship collection for those that are struggling in the local community. The parish receives donations from the community at large and other local churches, not just parishioners, which are given to anyone in need for groceries, gas, hotel, rent, utilities, medical/funeral assistance, etc. and is appropriately accounted for in the liability account.
3. Many schools provide an out of uniform fundraiser for disaster relief, prolife, angel tree donations, etc. which are also accounted for in a liability account.

Promotion of these fundraisers should clearly detail if net proceeds (all funds collected less the related event expenses) or all proceeds (includes all funds collected as the parish/school is responsible for the event expenses) will be given and who the beneficiary will be.

**Accounting:** We recommend using a different exchange for each collection if they are recurring for better transparency and tracking. If the collection is a one-time event, project code usage in a general exchange account is recommended. Both options allow for easy tracking and transparency as this will assist to ensure funds collected are being remitted timely. The accounting for these transactions is as follows and is created in the normal course of recording a deposit or check payment:

Example: Pregnancy Aid Collection:

*When funds for pregnancy aid are donated and included in the weekly deposit the following occurs when the **deposit** is made:*

Debit/increase Operating checking account	50	
Credit/increase Liability exchange (pregnancy aid project code)		50

*When the funds collected are remitted to pregnancy aid via **check** the following occurs when the payment is made:*

Debit/decrease Liability exchange account (project code if applicable)	50	
Credit/decrease Operating checking account		50

OR

If funds were raised and expenses for fundraising will be netted before remitted the following will occur during check payment and remittance of funds to Pregnancy Aid Clinic:

*When expenses for fundraising are paid via **check**:*

Debit/decrease Liability exchange account (project code if applicable)	10	
Credit/decrease Operating checking account		10

*Net proceeds are remitted to Habitat via **check** the following occurs when the payment is made:*

Debit/decrease Liability exchange account (project code if applicable)	40	
Credit/decrease Operating checking account		40

**Considerations:**

- Parish specific 2<sup>nd</sup> collections should be approved in writing by the Archbishop.
- Collection fees incurred for donations processed via online giving should be recorded as a parish/school expense and not offset to the donation remittance.
- All collections should be remitted timely.

- If donations are sent to an international organization with no US based charity status or tax identification, the donations are not tax deductible for the donor.
- Wires to most foreign countries can be processed through Bill.com. Contact the Chancery finance office if assistance is needed.

**Parishioner Restricted Donation for Parish/Pastor Use**

**Restricted donations:** Parishioners donate and fundraise for various parish needs and reasons. Examples include alter flowers, new stain glass window, statue for a memorial garden or parish entry, parish picnics, staff luncheon, selling bricks for a parish anniversary, etc. These types of funds benefit the parish directly and should be recorded to revenue on the date the donation is received. While most of these donations will have restrictions on their use like capital campaign funds, they belong in income and not liability accounts. Pastor discretion donations are also included in this discussion as the parishioner donated funds for the pastor to direct where most needed, but they are still donations to the parish to cover parish expenses and belong in income and not in the exchange account. When it comes to picnics and staff luncheons, evaluate if the picnic and staff luncheon would occur if nobody donates to them. In most cases, the parish would still provide these events and pay for the expenses as part of the operating budget and therefore are part of parish operations.

**Accounting:** The following accounting scenarios detail the correct accounting which is created in the normal course of recording a deposit or check payment:

*Donation is given for a new playground and deposited as part of the weekly **deposit**:*

Debit/increase to Operating Checking Account	10,000	
Credit/increase to other donations (playground project code)		10,000

*When payment is made for the donor restricted purpose via **check** and the expense matches what was donated:*

Debit/increase capital replacement expense (playground project code)	10,000	
Credit/decrease Operating checking account		10,000

*OR*

*In some cases, the amount of other donations may not cover the full expense and some or all of the funds may come out the offertory funds. In this case, we assume that the cost of the playground equipment is \$20,000 and the full amount paid from the operating account; the following transaction would occur when the when payment is made via **check**. **You will notice the entry is the same, but the amount changes.***

Debit/increase capital replacement expense (playground project code)	20,000	
Credit/decrease Operating checking account		20,000

In other cases, the amount of the donations \$10,000 may exceed the full playground expense of \$8,000 leaving excess funds restricted\* for a purpose that has already been fulfilled. In this case, the following transaction would occur when the when payment is made via **check**. **You will notice the entry is the same, but the amount changes.**

Debit/increase capital replacement expense (playground project code)	8,000
Credit/decrease Operating checking account	8,000

\*Note that in this example an excess of \$2,000 donated remains unused. If the amount is not needed for the intended purposes, the donors should be notified. The donor may agree to allocate the funds for another purpose (offertory, annual appeal, parishioner hardships, etc.). The change in donor intent should be obtained in writing from the donor via a letter or email. Donor intent must be honored; funds should be returned to the donor if the restriction can't be fulfilled and the donor does not agree that it can be used for other purposes.

**Fundraising and collections for ministry use**

**Fundraising for ministry use:** Examples include prison ministry, funeral ministry, men groups, women's groups, etc. Many of these groups solicit donations, charge dues, or perform fundraising to use for their ministry. These funds can be used for the ministry's benefit or for the parish's benefit, which drives the accounting required.

**Accounting for ministry funds raised for ministry use:** Funds raised for the ministry's own benefit should be recorded in the exchange account. For example, if the women's group holds a bake sale and uses the proceeds to buy tickets for the women to attend a play, the transactions are recorded to the exchange account as the benefit is not for the parish, but the ministry. If proceeds are more than the funds spent, a balance grows in the ministry account. If the proceeds don't cover the full expense, prior women's group reserve can be used to cover the payment. If the cost are more than those available for the women's group usage and the pastor still approves the ticket purchases, the exchange account would be zeroed out first and the excess recorded to parish ministry expense. The specific accounting follows:

Women's Group example:

*Proceeds from the bake sale are included in the weekly deposit and the following occurs when the **deposit** is made:*

Debit/increase Operating checking account	250
Credit/increase Women's Group exchange account	250

*When the proceeds are used to purchase the play tickets or reimburse an individual for their purchase via **check** are less than those collected, the following occurs when the payment is made and the excess \$25 remains in the women's group exchange for future use:*

Debit/decrease Women's Group exchange account	225	
Credit/decrease Operating checking account		225

OR

If the tickets are more than the proceeds and the women's group had a starting balance of 100, the following occurs when the tickets are purchased/ reimbursed to the organizer:

Debit/decrease Women's Group exchange account	350 (\$250 + \$100)	
Debit/increase ministry retreat expense	150	
Credit/decrease Operating checking account		500

**Ministry Fundraising and Collections for parish/pastor use**

**Ministry fundraising:** In addition to raising funds for their own activities, ministry groups will also fundraise or donate to cover a parish expense. Examples of these include bake sales, food sales, craft fairs, fish fry, pancake breakfast, etc. that are used to contribute or pay for a parish expense. Examples of items purchased with ministry donated funds include a playground, a piano, new parish kitchen, a bench for the memorial garden, retreat fees, etc. While the fundraising or ministry account can start in an exchange account for tracking revenue and expense, the net proceeds or donation to cover the parish cost should be removed from the exchange and recorded as donation income. The parish expense covered by the donation should be recorded as an expense or asset depending on the purchase.

Some communities do not generally tithe in the traditional way of donating money through offertory. However, they contribute greatly via fundraising efforts or other time and talent donations. As a result, net proceeds from food sales, raffles, Our Lady of Guadalupe celebrations, soccer tournaments, etc... All represent donations to the parish and thus should eventually be included in parish revenue.

**Fundraising accounting is as follows:**

*When food sale ticket payments are included in the weekly **deposit** the following is recorded:*

Debit/increase Operating checking account	1,500	
Credit/increase Liability food sale exchange account		1,500

*When the food is purchased or reimbursed to an individual for the food expenses. The **check** is made out to the individual submitting receipts or directly to the vendor:*

Debit/decrease Liability food sale exchange account	500	
Credit/decrease Operating checking account		500

*When the food sale net proceeds are not designated for a specific purpose or if they are used to purchased video equipment the following **journal entry must be made** manually and is not system generated:*

Debit/decrease Liability food sale exchange account	1,000	
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Credit/increase other donations 1,000

*IF the funds were designated for video equipment the following is generated when the **check** is made for the equipment:*

Debit/ increase liturgy equipment expense	1,000	
Credit/ decrease to operating checking account		1,000

**Other considerations:**

- Parishioner donations should be recorded in ParishSoft Family Suite for reconciliation by type of collection or ministry and reconciled to the deposits (liability and revenue accounts) recorded in the general ledger.
- Fundraising activities are not tax deductible to the participants and therefore may not need to be recorded in ParishSoft Family Suite. However, expected revenue should be calculated (e.g. tickets time amount) and compared to the deposited funds in the general ledger.
- Exchange accounts should be zeroed out annually at some point. If they don't, funds are not being remitted timely to other organizations or ministries are collecting more than they are spending and really represent parish donations. For example, a parish prayer group meets weekly and takes a collection for coffee and donuts provided at each session. Over a 10-year period, the prayer group exchange grows to over \$80,000. The significant excess really represents parish donations and should be re-classed with a journal entry to other donation revenue.
- We are happy to assist with any school/parish specific fundraising and restricted donations.

Should you have any questions, please contact the Department of Finance's Internal Audit or Financial Services. [Staff and Contact - Roman Catholic Archdiocese of Atlanta | Atlanta, GA \(archatl.com\)](#)