

RESTRICTED AND UNRESTRICTED FUNDS

Donors to a community organisation or social enterprise may decide what their donations can be used for, for example toward the cost of a new mini bus.

Unrestricted funds are donations that the group may use for any purpose so long as it meets the aims and objectives of the group outlined in their governing document. Many groups tend to use unrestricted funds to go towards operating costs for the organisation or costs that are difficult to fund.

Only the donor can determine if a donation is restricted or not and this can be set by letter or through an explicit agreement with the organisation. An organisation may decide to “ring-fence” some of its own unrestricted income to a particular project but this money remains unrestricted as it is a decision that the organisation has made not the donor.

More often than not Grants are restricted to a particular project and that restriction is set out in the documentation that accompanies the award.

Whatever type of restricted fund is set up, the organisation must keep track of it and report it appropriately in its financial statements.