ACCOUNTING FOR AGENCY ENDOWMENT FUNDS AND DESIGNATED FUNDS

AGENCY ENDOWMENT AND QUASI ENDOWMENT FUNDS

An Agency Endowment fund is established by a nonprofit organization through the transfer of assets to the Community Foundation. The purpose of the fund is to provide financial support to the organization in perpetuity.

FASB (Financial Accounting Standards Board) 136 applies to accounting for assets transferred by a nonprofit organization to a fund at the Community Foundation. Under FASB 136, the organization continues to report those assets as its own, with the offsetting activity reported in net assets. The community foundation also reports the asset, and the offsetting entry is classified as a liability.

AGENCY FRIENDS FUNDS

When a nonprofit organization establishes an Agency Endowment fund, the Community Foundation also establishes an Agency Friends fund. An Agency Friends fund allows the Community Foundation to accept contributions for an Agency Endowment fund directly from individual donors. The individual donors are eligible to receive to receive Endow IA tax credits for their contribution to this permanent endowment fund.

DESIGNATED FUNDS

A Designated fund is established by an individual donor to benefit one or more nonprofit organizations in perpetuity. The individual donor is eligible to receive to receive Endow IA tax credits for their contribution to this permanent endowment fund.

The Foundation is the legal owner of all assets contributed to both Designated funds and Agency Friends funds. For accounting purposes, the assets of these funds are reported on the Foundation's financial statements. In accordance with FASB 116, and as amplified by FASB 136, the beneficiaries of these funds, the nonprofit organizations, should not record the market value of the funds as assets on their Statement of Financial Position. Rather, the nonprofit organization should record grants received from these funds in their Statement of Activity. The nonprofit organization can use footnote disclosure to provide a description of the Designated fund.

GREATER CEDAR RAPIDS COMMUNITY FOUNDATION