



ACCOUNTING TREATMENT FOR AGENCY FUNDS

The Financial Accounting Standards Board has issued Financial Accounting Standard #136, Transfers of Assets to a Not-for Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. This standard outlines how community foundations that hold funds for other nonprofits should account for those assets. The assets can be treated in one of two ways depending on the facts and circumstances surrounding the transfer of the assets to the community foundation.

- If a not-for-profit organization (NPO) establishes with its own funds, a fund at a community foundation for its own benefit, the transfer of assets to the community foundation is not contribution revenue to the foundation and should be accounted for as a liability. The community foundation reports the fund as an asset of the foundation but must also establish a liability for the market value, representing the present value of the future payments expected to be made to the NPO. Correspondingly, the NPO must continue to list the asset on its balance sheet, for example, as a beneficial interest in assets held by the community foundation. The NPO would also disclose in its financial statements the terms of the agency fund agreement with the community foundation. For example, if the NPO holds a fund or receives a bequest and the NPO Board approves the transfer of the fund or bequest to the community foundation, then the assets will be treated as a liability by the community foundation.
- If an NPO establishes a solicitation campaign for its fund at the community foundation and cites in the publications for the campaign that the donations should be given directly to the NPO Fund at the community foundation, then the NPO Fund is owned and held by the community foundation, and that Fund is subject to the articles of incorporation and by-laws of the community foundation all of which provisions are hereby incorporated by reference. The assets are contributions to the community foundation and are included in the foundation's fund balance.

The FASB standard has no impact on the legal ownership of the assets. Once the assets have been transferred to the community foundation, they are the property of the foundation and are reported as such on the IRS Form 990.