

Agency, Sister, and Designated Funds

AGENCY ENDOWMENT FUNDS: An Agency Endowment fund is established by a nonprofit organization through the transfer of assets to CFAAC. The purpose of the fund is to provide financial support to the organization in perpetuity. **Only the Agency can make gifts to an Agency Endowment Fund.** This allows the organization to report those assets as its own, with the offsetting activity reported in net assets. CFAAC also reports the assets, and the offsetting entry is classified as a liability. (See FASB* 136)

SISTER FUNDS: When a nonprofit organization establishes an Agency Endowment fund, CFAAC also establishes a Sister fund which allows CFAAC to accept contributions for an Agency Endowment directly from individual donors. The agency may choose the name of the Sister fund and CFAAC will promote it on its website and Donate page. A link will be provided to the nonprofit organization to encourage individual donor gifts to the Sister fund. *The individual donor(s) are eligible to receive Endow MD tax credits for their contributions to this permanent endowment fund, as available.*

DESIGNATED FUNDS: A Designated fund is established by an individual donor or donors to benefit a nonprofit organization in perpetuity. *The individual donor(s) are eligible to receive to receive Endow MD tax credits for their contributions to this permanent endowment fund, as available.*

CFAAC is the legal owner of all assets contributed to both Designated funds and Sister funds. For accounting purposes, the assets of these funds are reported on the CFAAC's financial statements. 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. (See FASB* 116 and 136.)

ADMINISTRATION OF AGENCY ENDOWMENT FUNDS AND SISTER FUNDS: Once an Agency Endowment is established, there are no additional costs or fees associated with the establishment of the Sister fund. Although tracked and reported separately, assets are held in the same investment pool and annual distributions are calculated and disbursed in the same manner and at the same time as the Agency Endowment Fund.

*Financial Accounting Standards Board

CFAAC is committed to helping ensure the stability of your organization. Our knowledgeable staff is happy to meet with you and share more, please call us at 410.280.1102.