

Accounting Practices for Your Nonprofit Agency Fund

Austin Community Foundation is proud to partner with nonprofit organizations to administer funds to support their missions. The purpose of this document is to answer questions our nonprofit partners (“agencies”) may have regarding accounting practices for their fund at the Foundation. As is always the case, you should consult your auditors to determine the best solution for your organization. We are also happy to confer with your auditor about your fund.

Overview

Accounting standards require that the Foundation consider the source of donated charitable funds to a nonprofit’s fund. Donations to a nonprofit’s fund are made by either:

- a) The nonprofit agency itself (**Agency Gifts**) from its own funds or
- b) Donors who were solicited by the nonprofit to give to their fund or who gave directly to the fund (**Donor Gifts**).

From an accounting perspective, these two sources are treated differently.

Agency Gifts - When a nonprofit transfers assets to a community foundation and specifies itself as the beneficiary of the assets, the transaction is deemed reciprocal because by accepting the funds the Foundation agrees to make such distributions to the nonprofit at a future time or hold the assets for the benefit of the nonprofit. *Such funds should be recognized as an asset by the nonprofit.* The Foundation recognizes a corresponding liability for such funds.

Donor Gifts - When a nonprofit solicits gifts from donors for their fund at the Foundation, those gifts are not considered reciprocal transfers since they are made by the donor for the benefit of the nonprofit. *These gifts are recorded by the Foundation to the nonprofit’s fund as gifts, not as a liability. The nonprofit does not record the gifts.*

The Agency Gifts Fund and the Donor Gifts Fund have the same name. How can I tell the difference?

Fund names with a caret (^) are Agency Funds that should be recorded on an Agency’s books as an asset.

Note that some nonprofits will not have two funds if they have not made deposits from their agency and also received donations from individuals for their agency funds.

Are fees and investments affected by the split of the funds?

No, there is no additional cost incurred to track the fund types separately.

Questions or concerns?

Contact us at: HeretoHelp@austincf.org

Reference: In June 1999, The Financial Accounting Standards Board (FASB) issued Statement of financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This has now been codified within FASB ASC 958-605.