

United States Masters Swimming, Inc. Resolution to reflect UPMIFA and ASC 958-205

Background

The State of Florida has enacted a version of UPMIFA, the Uniform Prudent Management of Institutional Funds Act, a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This replaces a previous law, UMIFA, the Uniform Management of Institutional Funds Act. Under UMIFA, spending below the historic-dollar-value of an endowment was not permitted; the accounting definition of permanently restricted funds was the historic-dollar-value of a donor-restricted gift to endowment. Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature.

As is the case in the current financial environment, there is no guarantee that the permanently restricted amount of an endowment will remain intact at all times. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic-dollar-value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be drawn upon on a temporary basis.

Resolution of the Board of United States Masters Swimming, Inc. (USMS) to Adopt the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) on this February 9, 2013

Whereas, on August 6, 2008 the Financial Accounting Standards Board (**FASB**), in response to the adoption of UPMIFA generally throughout the United States, issued FASB Staff position Number 117-1 (**FSP 117-1**) which was later codified as FASB ASC 958-205 concerning financial statement presentation of net assets in accordance with Generally Accepted Accounting Principles (**GAAP**); and

Whereas, UPMIFA was adopted by the State of Florida and became effective July 1, 2012; and

Whereas, the standard endowment agreement between donors and the Organization agrees to follow the board approved spending policy, and the policy permits temporary use of historic-dollar-value and takes a long-term view towards protecting the principal; and

Whereas, the governing board of the Organization desires to maintain and to follow best current principles and practices in connection with the investment, spending, and financial statement presentation of the Organization's funds; and

Whereas, this resolution is consistent with the recommended guidance provided by the FASB for ASC 958-205 and the state of Florida;

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NOW, THEREFORE, IT IS HEREBY

Resolved, That **USMS** shall adhere to standards of care and prudence articulated in UPMIFA in connection with the investment and expenditure of donor restricted endowment funds;

Resolved, that the **USMS** has interpreted the Florida Uniform Prudent Management of Institutional Funds (F.S.617.2104) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the **USMS** classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets.