

TO: Cantus Board of Directors

10/23/20

We encountered a **problem** in the course of completing the audit that we had not contemplated, but for which there is a **solution**.

The problem: New standards from FASB (Financial Accounting Standards Board), as interpreted and explained by Marc Kotsanas, the person in charge of our audit, would have prevented Cantus from allocating the funds from our \$60,000 McKnight grant the way we had planned. The grant is a 24 month grant, beginning in May 2020 and ending in April 2022.

For several years, with an identical McKnight grant, Cantus has wisely left as much as possible for the final year. For example, here's how we had planned to release the grant awarded in May 2020:

Year 1 – FY20	May – July (3 months)	\$6,000
Year 2 – FY21	August – July (full year)	\$30,000
Year 3 – FY22	August – April (9 months)	\$24,000

However, Marc insisted that we must release the first \$30,000 in year 1, according to the new standards. Which, as you can see, would have left Cantus very short in years 2 and 3. But he also identified a **solution**: The Board could establish a Board-Designated Net Asset Fund to, essentially, take control of the McKnight grant funds. So we offer the following for your consideration at Monday's board meeting:

RESOLUTION: Cantus Resolution by its board of Directors

RESOLVED: to establish a BOARD-DESIGNATED NET ASSET FUND, effective retroactively to July 31, 2020, so that Cantus leadership may manage some or all of its *grant awards without restriction* according to Cantus' budget, cash management goals, and its need for financial flexibility. The board will evaluate and amend, if necessary, the (1) subject and amount, (2) limitations, and (3) time frame for its Board-Designated Net Asset Fund at least annually, before the end of each fiscal year.

For FY20 (8/1/19 - 7/31/20) the following defines the Cantus Board-Designated Net Asset Fund:

- (1) Subject and amount: The \$60,000 24 month (May 2020 – April 2022) general operating support grant from the McKnight Foundation.
- (2) Limitations: The Foundation designated the grant as a general operating support grant. As such, the funds may be expended for any budgeted purpose.
- (3) Time Frame: The board wishes to release \$6,000 of the fund in FY20. The remaining funds must be released no later than April 2022, as required by the funder. The release of the remaining \$54,000 will be defined no later than the end of FY21.