



UNIVERSITY OF
DENVER



LETTER OF COMMENT NO. 24

Office of the Vice Chancellor for
Business and Financial Affairs
Treasurer of the University
2199 S. University Blvd.
Denver, CO 80208
303.871.3588
Fax 303.871.4002

April 18, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference: Proposed FSP FAS 117-a

Dear Mr. Golden:

We appreciate the opportunity to comment on the proposed FSP. We have supported the adoption of the Uniform Law Commissioner's Uniform Prudent Management of Institutions Fund Act by the Colorado General Assembly. We disagree, however, with aspects of the proposed FSP, as described below.

- 1. Is the guidance for net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to UPMIFA appropriate, and can it be applied consistently? If not, why not?*

As proposed, the FSP would require a not-for-profit organization to reclassify amounts from unrestricted or temporarily restricted net assets to permanently restricted net assets in relation to the maintenance of the purchasing power of its donor restricted endowment funds. Footnote 6 indicates that "this normally would be one by adjusting the permanently restricted net assets by an appropriate measure of the rate of inflation (or deflation)."

The Comment section to UPMIFA Section 4, however, states in part, "an institution should monitor principal in an accounting sense, identifying the original value of the fund (the historical dollar amount) and the increases in value necessary to maintain the purchasing power of the fund." Earlier in the same paragraph the Uniform Commissioners note "although the Act does not require that a specific amount be set aside as 'principal,' the Act assumes that the charity will act to preserve 'principal' while spending 'income.'" Based on these comments, it is our view that the FSP overreaches in the proposed reclassification. We believe that footnote disclosure would suffice.

There is a practical consideration to our view as well. Our institution, like many others, is subject to debt covenants that include the maintenance of a minimum ratio of expendable financial resources to long term debt. As defined in the covenants, the

Mr. Russell G. Gordon

April 18, 2008

Page 2

expendable financial resources numerator includes unrestricted and temporarily restricted net assets but excludes permanently restricted net assets. The proposed accounting treatment would adversely affect this ratio by removing amounts from unrestricted and temporarily restricted net assets.

2. *Are the proposed disclosures about an organization's endowment funds needed, and do they provide sufficient transparency in the new UPMIFA environment? If not, please explain which disclosures are not needed or what additional disclosures are needed.*

The disclosures in Paragraph 12 a. – e, seem appropriate. The disclosure of planned appropriation for expenditure required by Paragraph 13 seems unnecessary when the organization discloses its endowment spending policy.

3. *Do you agree with the Board's decision to require that organizations provide the additional disclosures even if they are not yet subject to a version of UPMIFA? If not, why not?*

We agree with consist application of GAPP among all reporting entities regardless of jurisdiction.

4. *Do you agree with the Board's decision to make the provisions of the FSP effective for fiscal years ending after June 15, 2008, with early application permitted as long as the organization has not previously issued annual financial statements for that fiscal year? If not, why not?*

We recommend delaying the effective date of the FSP. The 60-day comment period appears rushed, as evidenced by only seven published comments on the FASB web site prior to the final day for comment. In addition, the calculations associated with the organization's interpretation of the relevant law in its state represent a significant time burden for staff, legal counsel, auditors and governing boards. We recommend delaying the implementation for an entire year to allow for more complete public comment and to provide sufficient time for all constituents of impacted not-for-profit organizations to review the accounting and disclosure implications of the FSP.

Sincerely,



Craig Woody
Vice Chancellor



Margaret Henry
Controller

1. Is the guidance for net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to UPMIFA appropriate, and can it be applied consistently? If not, why not? *No. Under UPMIFA, all or none of the value of an endowment can be reflected as permanently restricted. There is no distinction between the gift, income, and net appreciation. The Historic Dollar Value was a standard that was consistent and easy to apply.*

See paragraphs 6–10 for the related guidance and paragraphs A1–A8 for the basis for the Board’s conclusions.

2. Are the proposed disclosures about an organization’s endowment funds needed, and do they provide sufficient transparency in the new UPMIFA environment? If not, please explain which disclosures are not needed or what additional disclosures are needed. *Yes.*

See paragraphs 11–13 for the related guidance and paragraphs A9 and A10 for the basis for the Board’s conclusions.

3. Do you agree with the Board’s decision to require that organizations provide the additional disclosures even if they are not yet subject to a version of UPMIFA? If not, why not? *Yes, the disclosures are relevant even to organizations still under UMIFA.*

See paragraph 11–13 for the related guidance and paragraph A11 for the basis for the Board’s conclusions.

4. Do you agree with the Board’s decision to make the provisions of the FSP effective for fiscal years ending after June 15, 2008, with early application permitted as long as the organization has not previously issued annual financial statements for that fiscal year? If not, why not? *No. Many organizations to whom this would be applied have a June 30 fiscal year end. The adoption date is too close for many to get the required information fully integrated in their current fiscal year financial statements.*

See paragraph 16 for the related guidance and paragraph A12 for the basis for the Board’s conclusions.