

LETTER OF COMMENT NO. 27

MEMORANDUM

April 18, 2008

To: Director, FASB

Re: Response to Proposed Staff Position No. FAS 117-a

From: Thomas G. Nycum, Vice President for Business and Finance/Treasurer

John Calderhead, Controller

Stacy Davidson, Assistant Treasurer

Colorado College

14 East Cache La Poudre Street Colorado Springs, Colorado 80903

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?

Paragraph 6 of the Staff Position indicates that the amount of an institution's endowment that must be retained permanently per donor stipulation, or what the organization's governing board determines to be retained permanently, should be accounted for as permanently restricted. The expectation is that most institutions would account for their endowment net assets as permanently restricted, including accumulated gains. This is a major change in how most institutions currently account for their endowment net assets.

To implement such a major revision, Colorado College has been advised to retain knowledgeable legal counsel to assist in advising our Board of Trustees. Naturally, the board must be educated on the intricacies of the FSP first, and any determination must be made formally and documented. The prospect of implementing the new standard on the proposed accelerated timeline is highly burdensome.

The impact of this re-classification of net assets also has the potential of dramatically impacting debt covenants and other unforeseen consequences for certain institutions.

Further uncertainty arises from the FSP's inclusion of the caveat allowing the organization's governing board to determine the amount that should be retained

permanently. This leaves the door open for governing boards to interpret the ruling in different ways which, of course, undermines the principle of comparability.

Most governing boards are not involved in the accounting treatment of net assets, but are focused on the investment policy or spending policy of the assets. It is probable that other factors, such as the debt covenant compliance issues, would influence a governing board's decision on what portion of the accumulated gains should be accounted for as permanently restricted. Also, this could lead to treating gains on true endowments and quasi endowments in different manners.

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.

None of the disclosure requirements appear to be particularly onerous. Colorado College currently discloses all of the proposed disclosures either on the face of the financials, in the footnotes, or to rating agencies. It appears that most of the proposed disclosures are an appropriate and needed response to UPMIFA. The proposed number 13 disclosure appears out of line with most financial statements by disclosing the next year's budgeted or planned distribution of endowment earnings. The disclosure of the institution's spending policy should be sufficient for this item.

The College's governing board normally does not get involved in the accounting treatment of assets. The proposed disclosures require the board's interpretation of UPMIFA and policies for net asset classification. This would be difficult in many organizations to obtain.

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?

Colorado College agrees that, in the interest of consistent and comparable financial reporting, these disclosures should be required of all.

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?

The timing of the proposed statement will be extremely problematic for most institutions of higher education. The majority of colleges have a fiscal year-end of June 30. While the increased disclosures will not be a major factor in preparing this coming year's financial statements, the change of accounting treatment with board input would be very difficult to accomplish at this point in the fiscal year. Most importantly, many institutions have already begun preliminary audit work and planning, and this proposed statement has not been fully considered in this coming year's plan. The College's

external audit firm has not received formal information on how to respond to this change; accordingly the College does not know what will be expected from the audit firm.

In summary, Colorado College is not in support the Proposed Staff Position No. FAS 117-a. We are in agreement that further "endowment fund" disclosures should be made, particularly demonstrating the institution's policies on investments and spending, demonstrating that they are congruous with one another, and that they are in-line with UPMIFA. FASB should do further work to precisely define any change in the classification of net assets. The proposed timing of the implementation of FAS 117-a as written, would be very onerous to implement, and should be deferred for fiscal year's ending after June 30, 2008.