

LETTER OF COMMENT NO. 32

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From: lrossicpa@wideopenwest.com [mailto:lrossicpa@wideopenwest.com]

Sent: Thursday, April 17, 2008 10:30 PM

To: Director - FASB

Subject: File Reference: Proposed FSP FAS 117-a

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Suggested additional disclosures:

Investments versus endowments: For portfolio management purposes, an organization may combine permanently restricted and temporarily restricted endowment funds and funds not currently needed in one investment pool, or there may be physically separate investments. On the statement of financial position, all investments are normally classified together in one line. Since funds invested temporarily are not the same as a board designated endowment, the statements should disclose the relationship between the total endowment and total investments. If this is not disclosed the reader may be confused if the two numbers do not agree. For example, as part of the investment footnote: "Of the total investment of \$xx, \$xx consists of endowment funds and \$xx represents other investments. See note x for a description of the endowment funds held by the organization."

Additionally, the summary of significant accounting policies should include a definition of endowment funds, explaining the difference between donor created endowments and board designated endowments. It should also distinguish between temporarily restricted gifts whose payout may span more than one fiscal year and temporarily restricted gifts which are considered endowments.

Other comments:

Section 12c: While it is a laudable goal to provide the readers of financial statements information to assess the stewardship and management of an organization's endowment, the suggested disclosure requirements do not begin to give sufficient information to allow a truly informed review of an organization's investment decisions. This insufficient and superficial information may be more misleading than helpful and may negatively impact the organization presenting the information. Without substantial explanations regarding an organization's specific situation and its decision-making process, the reader will not appreciate why one policy has been adopted over another.

For less sophisticated organizations, the information required by this section may be worded so vaguely as to be virtually useless. For example, a disclosure might read: "The organization's return objective is to increase the value of the endowment fund over time while minimizing possible risks. To achieve these objectives, the organization diversifies its investments over several asset classes. By limiting the expenditures each year to 5% of the average market value for the past three years, the organization hopes to allow the endowment fund to grow while allowing sufficient funds annually to carry out the mission of the organization."

These statements fulfill the requirements of the FSP but do not impart any useful information to the reader. Less sophisticated organizations with limited resources may make poor financial decisions in order to "compete" with large organizations with substantial endowments that disclose specific goals which are unrealistic for smaller endowments. Donors may be discouraged from making donations to organizations that are small or growing because they have not set aggressive goals that may only be appropriate for large endowments.

Section 13: Disclosing the planned appropriation for the following year is an unnecessary and inappropriate disclosure which has no relevance to the financial statements being presented. Presenting one line item of a budget without the context of the entire budget can be misleading to the readers of the financial statements and does little to promote transparency or provide useful information regarding an organization's stewardship. Disclosure of the spending policy is sufficient.

Section 16: Adoption for fiscal years ending after 6/15/08 is too soon and places an undue burden on organizations with limited resources that have already seen skyrocketing fees due to recent requirements including alternative investments, risk assessment, etc. A delay until 2009 is more appropriate and allows time for proper implementation.

Thank you for the opportunity to comment on this proposal.

Linda Rossi, CPA

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