From: Jeffrey Mechanick

Sent: Friday, March 21, 2008 1:55 PM

To:

Joe Vernuccio

Subject: FW: Comments regarding Proposed FSP FAS 117-a



LETTER OF COMMENT NO.

From: Kathy Saigeon [mailto:ksaigeon@thefullerfoundation.org]

Sent: Thursday, March 20, 2008 5:43 PM

To: Jeffrey Mechanick

Subject: Comments regarding Proposed FSP FAS 117-a

Hello Jeff-

I participated in the NACUBO webinar this AM. It was well done and useful to highlight the issues. I appreciated your presentation and comments.

The following are my views and responses to the FASB invitation to comment on Proposed FAS 117-a FSB I request that these views be given full consideration by FASB in finalizing its work on this statement:

- 1. The general guidance to ask the NPO Board to interpret state law in determining what is permanently restricted, on the face is not helpful, unless FASB offers some commentary with examples in the background. It was quite helpful in your presentation this morning to state that that one example of a Board action would be to determine historic dollar value of gift as permanent. I have had a rather protracted debate with an attorney on this subject (with expertise in this area-referring to the UPMIFA standard), asserting that the 7% spending rule effectively gives Boards the ability initially classify a gift as permanent, and subsequently to reclassify it temporary or unrestricted on a year by year basis, even down to -0- value, in a scenario where there is no investment return over long periods of time, and effectively spend out a permanently restricted gift. So-- I would urge FASB to be more illustrative or exemplary in this aspect of the interpretation.
- 2. The discussion about investment losses not diminishing the amount in permanently restricted assets is very helpful, and of some use in applying the principle to maintain corpus permanently, once initially determined.
- 3. The Disclosure requirements—in general I do not agree with the level of detail, as being too burdensome and not useful. In looking at the suggested templates—I agree with the underlying accounting transactions and classification. As a sample or how to account for endowments—it's great for practitioners to get the accounting right. But—I am scratching my head about why all of this detail is helpful to financial statement readers? It's like showing them our detailed general ledger trial balance. Financial statement disclosures are supposed to aid in decision making processes and reliability for

informed business users of those statements. What audience are you addressing with an information deficiency? My systems can produce the statements— but I can also produce a bank reconciliation— and that's not required financial statement disclosure. It is costly to have this included in scope of audits— it drives auditors to worry about immaterial details in a roll-forward, and it is an unnecessary overlap of information already contained in the basic statement of activities, required to be reported by fund classification. I would urge FASB to help us practitioners to learn how to account for this correctly with education and practice aids. However I believe the additional disclosure is completely unnecessary.

- d. Disclosure of Board interpretation of law regarding net asset classification—this is redundant—by virtue of the published financial statements, the interpretation will be self evident. The reporting standards already require that we utilize donor restrictions in making the determination. Unless there exists multiple acceptable methods of accounting for these transactions, from which the NPO may choose to adopt the classification standards—what would such a disclosure accomplish, other than to restate the basic accounting and reporting standard we all must comply with? Again I would offer a parallel—there is no requirement for an organization to disclose its interpretation of contract law for long term contracts—merely to account for them appropriately and include the results in their financials.
- 5. I disagree with the proposed disclosure of investment policies with respect to return objectives and risk, and strategies to achieve those objectives, as outside scope of historic audit information. This is management information, and it is proprietary information. It would be like requiring Ford Motor Co. To disclose its product line up- pricing and marketing strategies as financial statement disclosures. This is a huge over-reach. It is not within the purview of historic financial information supporting financial statements. Moreover, any statement about strategies to accomplish objectives is forward looking, and subjects institutions to all of the concerns about having those statements mis-interpreted as predicting or forecasting investment returns. It is beyond the scope or expertise of an auditor to objectively sign off and attempting to do so will pull them into a management posture- is the auditor supposed to opine on the sufficiency or completeness or agree with any such statements? There is a great deal of information that we provide to donors and prospective donors - most of which does not reside in an audited financial statement. I believe FASB should consider such disclosures first within the investment community- and convince the industry giants. This amendment statement is not an appropriate place to introduce this item, which I consider to be without precedent.

I respectfully offer these comments and again, I thank you for your very good presentation, and tackling this important and complicated issue on our behalf. I would be happy to discuss if you have any questions.

Very truly yours,

Katherine L. Saigeon

Chief Financial Officer

The Fuller Foundation

135 N. Los Robles Avenue Ste 660

Pasadena, Ca 91101

Tel- 626.792.3232

Fax-626.792.3456