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LETTER OF COMMENT NO. 36

206-302-6800 206-652-2098 April 18, 2008

SENT VIA EMAIL TO DIRECTOR@FASB.ORG

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Director of Technical Application and Implementation Activities
Financial Standards Accounting Board
401 Merritt 7
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File Reference: Proposed FSP FAS 117-a

Subject: Comments from Moss Adams LLP on FASB Exposure Draft, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures

Dear Technical Director:

We appreciate the opportunity to provide input on the above referenced FSP (the "Exposure Draft"). We support the FASB's proposed clarifications on endowment accounting and enhancements to the financial reporting of endowments. While we agree with the direction of many of the provisions of the Exposure Draft, we have some reservations about the proposed guidance. We provide the following comments and reservations relating to it.

• We believe the proposed guidance for net asset classification of donor-restricted endowment funds is appropriate and can be applied consistently. We also believe that the proposed disclosures should be required for organizations even if they are not subject to a version of UPMIFA and that they, while lengthy, will be useful for certain more sophisticated financial statement users such as donors to organizations with significant endowments. However, we noted that in paragraph 12 of the minutes of the January 9, 2008 FASB meeting regarding this Exposure Draft, at least one member of the Board believed that respondents to the Exposure Draft would question why the disclosures were limited only to endowments and not to all investments. We do have concerns that the attempt at transparency will not be achieved if some readers become confused in attempting to reconcile the net asset disclosures with the investment holdings.

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- In our opinion, the Exposure Draft would benefit from an extended comment period and a better understanding of the potential impact of UPMIFA and the Exposure Draft on the effected not-for-profit organizations. We understand that the FASB and its staff have conducted some research relating to the impact of UPMIFA to not-for-profit organizations. However, we believe that more consideration needs to be given to more fully understand the potential impact of UPMIFA to all not-for-profit organizations. We respectfully request an extended comment period for the following specific reasons:
 - UPMIFA has not been proven nor tested. Too few states have adopted it to provide a solid understanding of its impact on various types of not-forprofit organizations.
 - There is no enforcement history on the law in those states that have adopted UPMIFA.
 - There is no implementation history or guidance currently available from each state's attorney general.
- Even if the comment period remains the same, we have reservations about the ability of some organizations to adopt the provisions of the Exposure Draft by the effective date of fiscal years ending after June 15, 2008. We do not see significant benefit to the rushed release of the FASB Staff Position ("FSP") with the possible exception of filling in certain gaps in guidance for those organizations located in states that have already enacted a version of UPMIFA. We recommend that the effective date be postponed to no sooner than fiscal years ending after December 15, 2008 or until fiscal years ending after June 15, 2009, with early adoption permitted, for the following specific reasons:
 - We suspect that certain organizations, especially those with significant endowments that historically have been following UMIFA or other relevant law for their state, may not see a tremendous amount of change in their accounting or disclosure of endowments if they are located in a state that has adopted UPMIFA. Other organizations may be more heavily affected by the FSP. Not-for-profit organizations will need sufficient time after the issuance of the FSP before it is effective to diligently consider their interpretation of relevant state law and the effect on their investment management policies.
 - The accounting for endowments is highly dependent upon an
 organization's governing board's interpretation of state law. Required
 financial statement disclosures will include a description of the governing
 board's interpretation of the underlying law. As a result, governing boards

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will need to be closely involved in the implementation of the FSP, and may also require the assistance of outside legal counsel to interpret the law. Governing boards should be given a reasonable timeframe to accomplish this before the end of the organization's fiscal year. Given the likely timing of a final FSP being issued, they will not have sufficient time to effectively implement the FSP.

- Many organizations consolidate their financial statements with those of other organizations with separate boards. For example, supporting organizations often hold endowments for the benefit of a parent organization. Subsidiary organizations may have different policies for the appropriation and investment of endowment funds. It may not be feasible to coordinate and assemble this information in time to include it in the June 30, 2008 financial statements.
- Paragraph 7 of the Exposure Draft specifically brings up the notion of "purchasing power" which was intentionally excluded from the UPMIFA model act. The drafters of UPMIFA only included this element in the discussion section of the act. As a result, few states to date have adopted the purchasing power provisions in their enacted legislation. We believe that including the concept of purchasing power in the body of the Exposure Draft is unnecessary and should be removed to be more in line with the model act's language.
- We encourage the modification of the example disclosure of "Endowment Net Asset Composition by Type of Fund" in Appendix C (page 22 of the Exposure Draft). This example presents "board designated net assets" as temporarily restricted net assets. This presentation appears to be a demonstration of the concept that a governing body of an entity may apply a board designation to net assets that are otherwise temporarily restricted for a specific purpose. We believe this concept is not germane to the topic of the Exposure Draft. The example on page 22 also presents a portion of the line "Donor-restricted endowment funds" as unrestricted. This seems to contradict the application of FAS No. 117. These elements of the examples as presented in the Exposure Draft may only serve to add unnecessary confusion to the implementation of the FSP by FASB constituents.

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In summary, we believe that the proposed accounting and disclosure guidance in the Exposure Draft is on the right track but requires more consideration and research as to how it will impact the broader population of not-for-profit organizations. In addition, we believe many not-for-profit organizations will require more time than is currently provided to implement the FSP once it is issued. Therefore, the comment period and the effective date should be deferred.

Thank you for the opportunity to comment on this Exposure Draft. If you have any questions on our response please contact Erica Forhan in our Professional Practice Group at 206-302-6826 or erica.forhan@mossadams.com.

Very truly yours,

Moss Adams LLP

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