



LETTER OF COMMENT NO.

45

May 7, 2008

Jeffrey D. Mechanick
Project Manager, Not-for-Profit Organizations
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

RE: Comments on Proposed FSP FAS 117-a

Dear Mr. Mechanick:

The Charitable Trusts Unit of this office has reviewed the FSP FAS 117-a document prepared by the Financial Accounting Standards Board and I am pleased to offer the following comments.

Many states, including New Hampshire, have enacted and are in the process of enacting the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA as drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) significantly alters the provisions of the earlier law, the Uniform Management of Institutional Funds Act (UMIFA), and some of these changes impact the current SFAS 117 necessitating an amendment to the accounting rule.

Perhaps the most significant change incorporated in UPMIFA is the elimination of the historic dollar value requirement as defined in UMIFA. While NCCUSL has explained at length its rationale for this change in order for state charity officials to effectively carry out their regulatory role there must be a mechanism in the accounting rules or through some other mechanism for determining the original value of the restricted gift, bequest, or devise. Trustees and/or endowment managers must have access to this information in order to make informed investment decisions in the fulfillment of their fiduciary obligations to prudently manage these permanently restricted gifts as specified by the donor. It is therefore essential for an accounting method to be developed that insures the original value of these gifts is disclosed on financial statements.

Page 2

Based on the foregoing we respectfully submit the following comments for your consideration:

FAS 117-a should establish a rule for defining and reporting the permanently restricted value of an institutional fund as the historic dollar value adjusted for inflation and general economic conditions designed to preserve the purchasing power (or real value) of the fund over time.

FAS 117-a should require that the institution's spending policy be disclosed on the financial statements; and

FAS 117-a should require the institution's investment policy be disclosed on the financial statements.

Thank you for your attention to this matter and if you have any questions please feel free to contact me or Assistant Director Terry Knowles.

Very truly yours,

Kelly A. Ayotte
Attorney General