

May 7, 2008



LETTER OF COMMENT NO. 46

Via Telefax (203) 849-9470

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

NASCO Comments on Proposed FSP FAS 117-a

Dear Mr. Mechanick:

The National Association of State Charity Officials (NASCO) has reviewed the proposed FSP FAS 117-a document prepared by the Financial Accounting Standards Board and is pleased to offer the following comments.

Many states 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 will have an impact on SFAS 117, necessitating an amendment to the accounting rules.

Perhaps the most significant change contained 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 elsewhere for determining the original value of

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the restricted gift, bequest, or devise. Likewise, trustees and/or endowment managers must also have access to this information in order to make informed investment decisions and to fulfill their fiduciary obligations to prudently manage these permanently restricted gifts. Based on the foregoing observations, NASCO respectfully submits the following comments:

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.

Very truly yours

Hugh R. Jon

President