FISCAL AND ADMINISTRATIVE OFFICERS GROUP

FOR COMMUNITY FOUNDATIONS

Executive Committee

Chair
Scott McReynolds, VP-Finance & Administration
Greater Cincinnati Foundation
mcreynoldss@greatercincinnatifdn.org
(513) 768-6147

Treasurer
Debra Watt, Senior VP-Operations
Foundation for the Carolinas
dwatt@fftc.org
(704) 973-4523

Vice-Chairs

Membership
Lisa Williams, VP Finance & Operations
Community Foundation for Greater Atlanta
lwilliams@atlcf.org
(404) 688-5525

Communications
Brenda Delaney, Controller
Central Indiana Community Foundation
brendad@cicf.org
(317) 634-2423

Accounting Practices
Christine Searson, Assoc. VP - Finance
Saint Paul Foundation
cks@saintpaulfoundation.org
(651)224-5463

Professional Development
Jill Gellert, VP Finance & Administration
Berkshire Taconic Community Foundation
jill@berkshiretaconic.org
(413) 528-8039

Standards/Best Practices
Aileen Sweeney, Controller
Marin Community Foundation
asweeney@marincf.org
(415)464-2553

Operations
Jeffrey Rudd, CPA
Chief Financial Officer
The Seattle Foundation
j.rudd@seattlefoundation.org
(206)515-2105

Human Resources
Marbet Cuthbert, SPHR
VP of Human Resources & Administration
The Chicago Community Trust
marbetc@cct.org
(312)616-8000 x148

Technology
Bill Solomon, Chief Financial Officer
The Dallas Foundation
bsolomon@dallasfoundation.org
(214)741-9898

April 14, 2008

LETTER OF COMMENT NO. 41

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

Re: FSP FAS 117-a *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 Mr. Mechanick:

On behalf of the Accounting Practices Committee of the Fiscal and Administrative Officers Group for Community Foundations (APC) of the Council of Foundations, we would like to thank you for the opportunity to provide input on the proposed FSP FAS 117-a. We understand and appreciate the FASB's intent to convey the nature of endowment management under UPMIFA through enhanced financial statement disclosures. While we agree with the nature of the disclosures, we would like to share a couple of concerns as well as a recommendation for changing the effective date to allow more time for full and accurate compliance.

The Council on Foundations is a nonprofit membership association of more than 2,100 grantmaking foundations and corporations. The assets of Council members total more than $282 billion. The APC represents the more than 500 community foundations which are charitable institutions with a long-term goal of building assets, with named component funds established by many separate donors for the broad-based charitable benefit of the communities we serve.

In line with the historical mission of community foundations "building assets to provide ongoing support for the communities we serve," many community foundations have adopted gift policies whereby gifts, unless specifically excluded, are considered endowed gifts. Accordingly most net assets of community foundations meet the FASB definition of endowment.

Most funds received by community foundations are considered unrestricted because of the variance power and authority to invade principal held by the governing boards. There has never been a requirement to determine which funds meet the FASB definition of an endowment, and which do not, so records have not been maintained to provide this information.

For the following reasons the APC recommends changing the effective date from years ending after June 15, 2008 to years ending after December 15, 2008.

1. Community foundations will need to determine how best to present the information consistent with the requirements of the proposed FSP. The proposed FSP requires that disclosure include information on the composition and changes in endowment fund by type of endowment fund, showing "donor-restricted endowment funds separately from board-designated endowment funds." The term "board-designated" may not be meaningful for community foundations as most funds are unrestricted but managed based on donor recommendations. Accordingly, community foundations may choose not to list all unrestricted endowment funds as "board designated" but to provide information to indicate which funds are managed based on the recommendations of donors and which based entirely on board decision. Community foundation records do not readily provide documentation as to which endowed funds are managed based on donor recommendations and which are purely board designated endowment funds. Many community foundations will have to perform extensive research of the underlying gift instruments to accurately determine a meaningful classification of the endowed funds. Many of the larger and/or older Community Foundations may need to review documentation of over 1,000 component funds.
2. Many community foundations consolidate their financial statements with those of their supporting organizations. Each supporting organization has a separate board of directors and may have separate investment and expenditure policies. Community foundations with numerous supporting organizations must review the board policies of each of those organizations and determine the appropriate level of disclosure. In addition, some community foundations may have component funds with differing spending policies and different investment policies. In both of these instances, additional time will be needed to research and craft the appropriate disclosures that will most clearly demonstrate the appropriate level of information the FSP is trying to convey.
3. The staff and boards of many community foundations, as well as their outside consultants and accountants, need to be educated as to the new disclosure requirements. Many staff and boards are not currently familiar with UPMIFA. In fact, in most states UPMIFA has not been enacted and has therefore not had to be addressed.

   The new FSP requires that the board's interpretation of the relevant underlying laws be disclosed in the financial statements. This is a new disclosure and governing boards will need time to consider how best to disclose this information. Many governing boards meet quarterly, or for smaller community foundations, even less frequently. A June, 2008 implementation date does not allow enough time for adequate education, consideration, and implementation.

   Many community foundations may need to codify existing endowment management practices in board approved policies that ensure consistency with state law. As boards may not meet on a frequent basis, it could take some time to obtain board consent to such written

policies. We strongly recommend that adequate time be allowed so that the boards can make well informed decisions.

In addition to our request to extend the effective date to fiscal years ending after December 15, 2008, we would like some further clarification on the following issues:

The APC requests that the FSP indicate what reporting might be necessary if an interpretation change resulted in a significant change in classification of net assets. Paragraph #7 of the FSP states that "a governing board's interpretation of the relevant law should be...consistent from year to year". However, boards change over time and today's board interpretation of the relevant law may differ from a future board's interpretation. Changes in interpretation might easily arise from future court decisions or development of practice that cannot be predicted in a board's interpretation of a new law. How should a change in interpretation of relevant law and, therefore, a change in presentation of classification of net assets, be conveyed to the financial statement reader?

The definition of endowment between UPMIFA and FASB is inconsistent. The FSP was developed in response to concerns as to how to respond to UPMIFA. The FSP, however, is broader in its application and requires expanded disclosure for all organizations with "endowment funds." Under the FSP, endowment funds include both donor-restricted and board-designated funds consistent with the definition in paragraph 168 of FASB Statement No. 117, where an endowment fund is described as "an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization." This definition of endowment fund is not consistent with UPMIFA, which does not include board designated funds in its definition of endowment. We don't anticipate that FASB will change its definition of endowment to exclude board-designated funds. However, the inconsistent definitions may prove to be confusing to the reader of the new disclosures.

Again, we applaud FASB for its efforts in improving financial disclosures related to endowment management. We would be happy to answer any questions you might have regarding our positions.

Sincerely,

Christie Sears, Chair

Accounting Practices Committee of the
Fiscal and Administrative Officers Group for Community Foundations

ACCOUNTING PRACTICES COMMITTEE

Name	Community Foundation	Phone Number	Email Address
Christine Searson, Chair	The Saint Paul Foundation	(651) 325-4246	cks@saintpaulfoundation.org
Mary Wilson, Vice Chair	The Pittsburgh Foundation	(412) 394-2630	wilsonm@pghfdn.org
Eve Borenstein, Consultant	Eve Rose Borenstein, LLC	(612) 822-2677	eve@BAMlawoffice.com
Ian Benjamin, Consultant	McGladrey & Pullen, LLP	(212) 372-1480	Ian.Benjamin@rsmi.com
Ray Biddiscombe	The Columbus Foundation	(614) 251-4000	rbiddisc@columbusfoundation.org
Carol Crenshaw	The Chicago Community Trust	(312) 616-8000	carol@cct.org
Susan Frohlich	The San Francisco Foundation	(415) 733-8556	saf@sff.org
Kereen Holmquist	The Seattle Foundation	(206) 515-2123	Kereen@seattlefoundation.org
Cheryl McKenna	Community Foundation of Lorain County, OH	(440) 277-0142	cmckenna@peoplewhocare.org
Susan Nicholson	The Community Foundation of Louisville	(502) 585-4649	susann@cflouisville.org
Paul Peterson	Sioux Falls Area Community Foundation	605-336-7055	ppeterson@sfacf.org
Grace Sacerdote	The Community Foundation in Jacksonville	(904) 356-4483	gsacerdote@jaxcf.org
Brenda VanKanegan	The Oregon Community Foundation	(503) 227-6846	brendav@ocf1.org
Cyndi Vara	Permian Basin Area Foundation, TX	(432) 682-4704	cvara@pbaf.org