



Certified Public Accountants & Advisors  
*Advancing Tradition*

November 30, 2012

Technical Director  
Financial Accounting Standards Board

RE: File Reference Number 2012-220  
Invitation to Comment on Disclosure Framework of July 12, 2012

Thank you for allowing us the opportunity to comment on the FASB's Disclosure Framework discussion paper.

Cover & Rossiter is a regional accounting firm headquartered in Wilmington, Delaware. Many of our Clients are small businesses and small, mid-sized and large nonprofit organizations.

**General Comment:**

I applaud the FASB for recognizing and taking on the issue of footnote overload. Even modestly sized nonprofit organizations with donor-restricted endowment funds and a defined benefit pension plan can have required footnotes north of 30 pages long. It is my belief that important and relevant information can be lost in a sea of boilerplate. There is a limited amount of energy that users (especially non-CPAs who make up the Boards of many of my clients) will expend in reading and trying to understand financial statements. In my opinion, every paragraph in the footnotes that does not speak directly to relevant information detracts from the overall presentation and dilutes the value of the financial statements.

**Specific Questions:**

"Question 1: The details of this Invitation to Comment do not focus on the informational needs of donors of not-for-profit organizations. How, if at all, should the Board's decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to the financial statements?"

I do not believe the FASB should alter its decision process to attempt to incorporate the needs of nonprofit donors. The overall objective of any nonprofit is to accomplish its mission. Where a for-profit entity has a bottom line which serves as a scorecard, by definition, nonprofits have a different goal. Any attempt to categorize and measure a nonprofit's effectiveness using financial yardsticks will be imperfect at best. Additionally, donation decisions are personal ones and the informational needs of donors are as various as the donors themselves. We CPAs should not flatter ourselves that we can provide a discreet set of objective financial information that will be important to a large segment of the donating public. If nonprofits feel that certain information would be useful to potential donors, there is nothing that prevents them from adding it to their footnotes.

"Question 4: Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to questions in the chapter?"

In my mind, this question highlights one of the principal roadblocks to this project, or potentially its greatest opportunity. If the Board dictates the disclosure requirements as it currently does, we may start with an initial list of disclosures that are shorter than what we currently follow. I believe that inevitably we will wind up with an ever-accumulating list of additions and will find ourselves in the same situation down the road.

If instead, the FASB promulgates the principles to be applied in making disclosure decisions, we will find shorter and more relevant financial statements but wide variations in application. In the battle between discretion / succinctness and comparability, I would favor discretion but I recognize the sea change to standard setting this represents.

**Conclusion:**

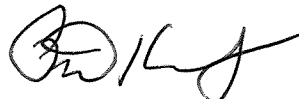
I have a client with a small defined benefit pension plan. Each year after the audit is completed, we wait 6-8 weeks for the actuary's report in order to pull together the required footnotes. At one point I had convinced them to take a GAAP departure on the opinion as I have done with other clients where the information is not worth the time or expense to pull together, but is required nonetheless. That lasted for a few years until new management came in and mandated a "clean" opinion. The Trustees are not accountants and are not interested in the plan disclosures, but they want an unqualified opinion and are willing to wait two months for essentially irrelevant information to get it.

Situations like the one above are all too common in my practice and are a source of great frustration to me. At nearly every client I have, GAAP financial statements are of limited utility; prepared once a year whose primary value is a symbolic one ("yes, we have had an audit performed"). I have likened GAAP financial statements to the good china; taken out periodically for show but completely impractical for daily use.

I am grateful that the FASB has taken on the task of at least exploring ways of distilling footnote disclosures to make them more relevant.

Thank you in advance for your consideration of these comments.

Very respectfully,



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