



LETTER OF COMMENT NO. 135

From: Tim Little [mailto:tlittle@rosefdn.org]
Sent: Friday, August 08, 2008 1:53 PM
To: Director - FASB
Subject: File Reference # 1600-100, Charitable Foundations comments

8/8/08

Russell Golden, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Comment on Exposure Draft - Disclosure of Certain Loss Contingencies
Amending FAS 5 - File Reference No. 1600-100.

Dear Mr. Golden,

As institutional investors managing a combined \$1.2 billion in assets, the undersigned charitable foundations and philanthropy organizations believe that it is critical to have accurate and complete information about liabilities in financial statements. Therefore, we are writing to comment on the FAS 5 exposure draft on loss contingencies.

We agree with the FASB finding that the current statement on disclosure of loss contingencies fails to "provide adequate information to assist users of financial statements in assessing the likelihood, timing, and amount of future cash flows associated with loss contingencies" (FAS 5 Exposure Draft, Summary, p. v). The changes proposed by the FAS 5 exposure draft Accounting for Contingencies represent an important step forward in improving disclosure and we applaud FASB's initiative in addressing this issue.

However, we are very concerned with the draft's treatment of severe long-term risks. The exposure draft only requires disclosure of severe financial threats that a company deems remotely probable if the issue is expected to be resolved within a year (FAS 5 Exposure Draft para. 6). There is a long history of companies underestimating the likelihood of severe financial threats – Enron, the subprime lending crisis, and asbestos liabilities are three examples. Typically, these large issues developed for many years, with eventual catastrophic consequences for investors. Therefore, **FAS 5 should require companies to disclose all severe financial threats – not simply those that may be resolved within the relatively short timeframe currently expressed in the draft rule.** To ensure that these disclosures are cost-effective, we suggest that "remotely probable" risks that are not expected to be resolved within one year could be described in a narrative, but need not be quantified other than to specify that they may be severe.

In addition, in order to improve investor access to reliable information, We urge that FASB:

- Implement the proposed draft language that would require disclosure of all loss contingencies except those that meet certain narrow criteria (FAS 5 Exposure Draft, para. A12).
- Implement the proposed draft language that would require a reporting company to quantify the maximum potential loss in circumstances where it cannot estimate the likely loss (FAS 5 Exposure Draft, para. 7a).
- Expand the scope of both the expanded population of required disclosures, as well as the maximum loss disclosure requirement to include asset impairments. These loss contingencies should be disclosed using the same standards as loss liabilities.

- Eliminate or further restrict and define the “prejudicial” information nondisclosure exemption to ensure that it remains a rare exception, and retain the proposed requirement that filers must in any event quantify their liabilities even if other information does qualify for the prejudicial exemption (FAS 5 Exposure Draft, para. 11).

Thank you for your consideration.

Sincerely,

Jill Ratner, President, Rose Foundation for Communities and the Environment
Neva Goodwin, Vice-Chair, Rockefeller Brothers Fund
Finance Committee, Christopher Reynolds Foundation
Bruce Hirsch, Executive Director, The Clarence E. Heller Charitable Foundation
Patricia Bauman, Bauman Foundation
The Trustees of the Barbara Smith Fund
Anita Nager, Beldon Fund
The Trustees of the Jenifer Altman Foundation
Michael Passoff, As You Sow Foundation
Stephen Viederman, Foundation Partnership on Corporate Responsibility
Joshua Humphreys, Center for Social Philanthropy

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