FASB Staff Position FAS 117-a

April 18, 2008

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File Reference: Proposed FSP FAS 117-a

The Not-for-Profit Organizations Committee and the Accounting Principles Committee of the Illinois CPA Society (Committees) appreciate the opportunity to provide our perspective on the Exposure Draft of a Proposed FASB Staff Position (FSP), 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 (UPMIFA), and Enhanced Disclosures. The organization and operating procedures of the Committees are reflected in the attached Appendix A to this letter. These recommendations and comments represent the position of the Illinois CPA Society rather than any members of the Committees or of the organizations with which the members are associated.

Our comments in response to the questions raised in the document are as follows:

Net Asset Classification Guidance

Question 1 – In general, we support and agree with guidance included in the FSP on the classifications of net assets related to donor-restricted endowment funds for not-for-profit organizations subject to UPMIFA. We believe there may be some differences in the application of the provisions of this FSP directly related to the form of the UPMIFA law adopted in each state; however, as the guidance included in FAS 116 and FAS 117 has been retained, we believe these inconsistencies should be minimal.

Required Disclosures

Question 2 – We support and agree with the proposed disclosure requirements included in paragraphs 12(a) and 12(b) of the FSP. However, in relation to paragraph 12(b), we believe it is necessary to expand the description of the spending policy in this paragraph and/or on the example disclosures included in the Appendix C to identify that not-for-profit organizations have diverse practices in determining the amount to be expended from their endowment funds. The example disclosure included in Appendix C assumes that the organization has established a spending policy whereby a set percentage is applied to the average fair value of the endowment fund; however, many not-for-profit organizations use other methods for identifying the amount they will spend each year. We would recommend that the description of spending policy be expanded to identify such other methods used in practice and include additional example disclosures or note that this is one such example.

Although we believe it may be useful to provide targeted asset allocation information about the endowment fund investments, we believe the proposed disclosure requirements included in paragraphs 12(c), 12(d), and 12(e) are excessive and we do not see the relevance of the disclosures included in the remaining paragraphs to users of the financial statements. We would support including these disclosures and the related examples as suggested (not required) disclosures. We also do not support the disclosure requirement in paragraph 13 as this disclosure pertains to information about future periods and is subject to change at the discretion of the organization.
Application of Disclosure Requirements

Question 3 - Subject to our response to Question #2, we support and agree with the application of the proposed disclosure requirements included in paragraphs 12(a) and 12(b) of the FSP to organizations not yet subject to UPMIFA. We believe consistent disclosure among organizations regardless of whether UPMIFA has been enacted is desirable.

Effective Date

Question 4 - We disagree with FASB's decision to make the provisions of the FSP effective for fiscal years ending after June 15, 2008. As the guidance provided on the classification of net assets does not significantly change existing guidance on the classification of net assets and only 13 states have enacted UPMIFA as of the date of this response, we do not believe it is necessary to require implementation of the FSP immediately. We would recommend delaying the implementation date to years ending after December 15, 2008 to allow organizations sufficient time to evaluate the requirements of the FSP and to prepare for its implementation.

We appreciate the opportunity to offer our comments.

Sincerely,

Tom Brean, CPA  
Chair, Not-for-Profit Organizations Committee

John Hepp, CPA  
Chair, Accounting Principles Committee

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The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**

- **Large:** (national & regional)
  - John A. Hepp, CPA
  - Alvin W. Herbert, Jr., CPA
  - Steven C. Johnson, CPA
  - Matthew G. Mitzen, CPA
  - Laura T. Naddy, CPA
  - Reva B. Steinberg, CPA
  - Jeffery P. Watson, CPA
  - Grant Thornton LLP
  - Retired/Clifton Gunderson LLP
  - McGladrey & Pullen LLP
  - Virchow Krause & Company, LLP
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- **Medium:** (more than 40 employees)
  - Barbara Donnison, CPA
  - Marvin A. Gordon, CPA
  - Ronald R. Knakmuhs, CPA
  - Laurence A. Sophian, CPA
  - Selden Fox, Ltd.
  - Frost, Ruttenberg & Rothblatt, P.C.
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- **Small:** (less than 40 employees)
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  - Kathleen A. Musial, CPA
  - Walter J. Jagiello, CPA
  - Benham, Ichen & Knox LLP

**Industry:**

- John M. Beceril, CPA
- Melinda S. Henbest, CPA
- James B. Lindsey, CPA
- Anthony Peters, CPA
- Cabot Microelectronics
- The Boeing Co.
- TTX Company
- McDonald's Corporation

**Educators:**

- James L. Fuehrmeyer, Jr. CPA
- David L. Senteney, CPA
- Leonard C. Soffer, CPA
- University of Notre Dame
- Ohio University
- University of Chicago

**Staff Representative:**

- Paul E. Pierson, CPA
- Illinois CPA Society
The Not-for-Profit Organizations Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting and audit and attestation standards for not-for-profit organizations. The Committee’s comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

Current members of the Committee and their business affiliations are as follows:

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Information Systems Audit and Control
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