



LETTER OF COMMENT NO. 6

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

Re: File Reference No. 1500-100 Not-for-Profit Organizations: Mergers and Acquisitions

Dear Sir/Madam:

The University of Notre Dame appreciates the opportunity to respond to the Board's Exposure Draft. Accordingly, we would like to comment on the following question.

*Question 4— Are the definitions of a business and a nonprofit activity appropriate for distinguishing between a merger or acquisition subject to the provisions of this proposed Statement and a purchase of assets that would be accounted for in accordance with other generally accepted accounting principles (GAAP)? If not, why and how would you modify or clarify the definitions or the related guidance?*

Universities with large endowments hold diversified investment portfolios which often include alternative investments such as private equity, venture capital and marketable alternatives. These investment vehicles are often structured as limited or limited liability partnerships or corporations. Positions in these types of interests can be acquired through purchase or as a result of a gift. In either case, the purpose for investing in these types of entities is to diversify the University's investment portfolio and to generate returns over the long-term to support the academic mission of the institution. As such, we are particularly interested in gaining a clearer understanding of what constitutes a business as it relates to the requirements of this proposed guidance for higher education.

Considering whether a college or university owns a controlling interest or has a minority interest position in a business depends on all the facts and circumstances of each business transaction and is necessary information in determining when a business should be consolidated. The requirement to consolidate the types of entities involved in diverse investment activities might clutter and potentially misrepresent the statements of financial position and activities and related disclosures. Further, the requirement to consolidate entities that in substance represent investments would provide the users of college and university financial statements with less transparent and useful information when assessing the true cost of delivering the educational activities and services in supporting the mission of these institutions.

While we believe there are circumstances inherent in any business transaction that could require the need for consolidation, we would urge the Board to expand the definition and clarify what does and does not constitute a business or nonprofit activity and provide examples to support both positions.

Respectfully,

The Controller's Group  
University of Notre Dame  
Notre Dame, Indiana