



January 15, 2015

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

Re: File Reference No. EITF-14B

Dear Technical Director:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Proposed Accounting Standards Update “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent - a Consensus of the FASB Emerging Issues Task Force)” (the Proposed ASU). NACUBO’s comments on the Proposed ASU were developed with input from our member institutions and our Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions who, collectively, possess a thorough knowledge of higher education accounting and reporting issues and practices.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at more than 2,100 colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting guidance for the higher education industry and educates over 2,000 higher education professionals annually on accounting and reporting issues and practices.

Overall Comments on the ED

We appreciate the Board’s attempt to simplify the reporting of investments valued at Net Asset Value (NAV) using the practical expedient and, in general, we support the Proposed ASU. In particular, we believe that the proposed guidance would save time on both the part of preparers and auditors primarily through the elimination of leveling based on redemption terms and also by eliminating the need to include these investments in the level 3 rollforward. We do question, however, the overall value of proposed changes to financial statement users. Please see our responses to the Board’s specific questions below.

Question 1: Should investments for which fair values are measured at net asset value (or its equivalent) using the practical expedient be excluded from categorization within the fair value hierarchy? If not, why not and how should those investments be categorized?

We appreciate the Board’s desire to eliminate the inconsistency in leveling that currently exists based on the nearness to redemption of these investments. We are concerned,

however, that by eliminating them from the fair value hierarchy, financial statement users may not understand that the basis for valuation of these NAV investments is the fund's application of fair value regarding the underlying assets. There are a number of ways that this issue could be addressed.

- The Board could require that all investments valued at NAV using the practical expedient be included in the fair value hierarchy in other than level 1, 2, or 3. To allow financial statement users to easily agree the amounts in the fair value hierarchy schedule with total investments, the Board should require the inclusion of investments valued at NAV in that schedule as a separate column.
- The Board could provide more structure around the redemption period; making consistency across entities more achievable. For example, investments valued at NAV using the practical expedient and with a redemption period greater than 90 days from the measurement date shall be classified as level 2.
- The Board could specify that these investments be classified within level 3 of the fair value hierarchy with disclosure required regarding redemption.

Question 2: Should the scope of the disclosures required in paragraph 820-10-50-6A be limited to only investments measured at net asset value (or its equivalent) using the practical expedient rather than all investments that are eligible to be measured at net asset value (or its equivalent) using the practical expedient? If not, why not?

Yes, we believe that only those investments actually measured at NAV using the practical expedient should be required to disclose the information required in paragraph 820-10-50-6A.

Question 3: Should any other disclosures be required for investments for which fair values are measured at net asset value (or its equivalent) using the practical expedient?

With the exception of disclosures suggested in our response to Question 1 above, we do not believe any other disclosures are necessary.

Question 4: Should the proposed amendments be applied retrospectively? If not, why not?

The effort required to retroactively apply the guidance could be significant – especially from an audit perspective. Because the proposed amendments would affect disclosures only, we recommend that the prior years' disclosures not be amended, but that the notes include a statement as to how the amendments would have impacted prior years had they been applied retroactively. For example, "In 20X1, \$XX included in level 2 and \$YY included in level 3 were investments measured at NAV using the practical expedient." We believe this disclosure, rather than a recasting of the fair value hierarchy table would reduce the necessary work on the part of preparers and auditors.

Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

The proposed changes would be relatively easy to implement with little time required. However, because some entities may obtain the information from a third party manager, there should be sufficient time for those third parties to make the necessary adjustments to their reporting.

Question 6: Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?

We do not believe that additional time would be required for private companies or NFPs to implement the proposed amendments.

We wish to express our appreciation for the opportunity to comment. We look forward to answering any questions the Board or the staff may have about our response. Please direct your questions to Sue Menditto at 202-861-2542 or sue.menditto@nacubo.org.

Sincerely,

Susan M. Menditto
Director, Accounting Policy