



## North Carolina State Board of Certified Public Accountant Examiners

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March 19, 2008



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LETTER OF COMMENT NO. 4

Russell G. Golden  
Director of Technical Application & Implementation Activities  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 117-a

Dear Mr. Golden:

The North Carolina State Board of CPA Examiners (the Board) has reviewed the proposed FASB Staff Position (FSP) No. FAS 117-a entitled, *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, and Enhanced Disclosures*. The Board believes that the proposed FSP, as written, will serve to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations during a time in which these organizations find themselves subject to increased public scrutiny on how they manage and use their endowments.

The Board offers the following comments:

- 1) The Board believes that the guidance for net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to UPMIFA is appropriate and believes that it can be consistently applied among not-for-profits. Specifically, the Board agrees with the conclusion that the amount classified as permanently restricted net assets should be the portion of the endowment fund that must be retained permanently as determined by the governing board's interpretation of the State's version of UPMIFA (and any other relevant law).
- 2) The Board believes that the proposed disclosures about an organization's endowment funds are needed and they provide sufficient transparency in the new UPMIFA environment.

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- 3) The Board agrees with the decision to require that organizations provide the additional disclosures even if they are not yet subject to a version of UPMIFA.
- 4) The Board agrees with the decision to make the provisions of the FSP effective for years ending after June 15, 2008, with early application permitted as long as the organization has not previously issued annual financial statements for that fiscal year.

The Board commends the FASB on a job well done. The Board is appreciative of the continued efforts of the FASB to establish consistent accounting and financial reporting standards that benefit financial statement preparers, auditors, and users.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur M. Winstead, Jr.", with a stylized flourish at the end.

Arthur M. Winstead, Jr., CPA  
President