

January 22, 2007



LETTER OF COMMENT NO. 1

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Technical Director ----File Reference 1500-100 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

To Whom It May Concern:

The North Carolina State Board of CPA Examiners (Board) has reviewed the Financial Accounting Standards Board's exposure draft of the proposed Statement of Financial Accounting Standards entitled, "Not-for-Profit Organizations: Mergers and Acquisitions." The Board believes that the proposed replacement of APB Opinion No. 16 and relative interpretive guidance provided in AICPA Audit and Accounting Guides, Not-for-Profit organizations, and Health Care Organizations will improve financial reporting on mergers and acquisitions involving not-for-profit organizations.

Specifically, the Board agrees with the approach that the proposed statement would eliminate the use of the pooling-of-interest method of accounting by not-for-profit organizations and would require that they apply the acquisition method to any merger or acquisition. The Board agrees that use of the acquisition method produces financial information that more accurately reflects the underlying economics of those events and by requiring consistency, increases the comparability of the financial results of not-for-profit organizations.

The Board offers comments on the following questions:

Question 1

The Board believes that the objectives in this proposed Statement are appropriate for all mergers and acquisitions by a not-for-profit organization.

Question 2

The Board believes that the definition of a merger or acquisition by a not-for-profit organization, as set forth in the proposed Statement, is appropriate.

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Question 3

The Board agrees with the approach to retain and rely on the existing guidance on consolidations in SOP 94-3 to determine circumstances in which a consolidation is not required or prohibited.

Ouestion 4

The Board believes that the definitions of a business and a nonprofit activity, as set forth in the proposed Statement, are appropriate.

Question 5

The Board believes that obtaining control and the other factors and guidance set forth in the proposed Statement to determine the acquirer in a merger or acquisition by a notfor-profit organization are appropriate.

Question 6

The Board believes that to recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition date fair values, as set forth in the proposed Statement, is appropriate and does provide more complete and relevant financial information.

Question 10

The Board believes that the requirement in the proposed Statement that the acquirer limit its recognition of goodwill to the amount purchased (either through the transfer of consideration or assumption of the acquiree's liabilities) is appropriate.

Ouestion 11

The Board believes that the requirement in the proposed Statement that the acquirer recognize a contribution inherent in the merger or acquisition, measured as a residual value, is appropriate.

Question 12

The Board agrees that a measurement period should be provided and a limit of one year seems to be appropriate.

Question 13

The Board agrees that the guidance provided and the examples given for assessing whether any portion of the transaction price or any assets acquired and liabilities assumed are a part of or not a part of the acquisition accounting is appropriate.

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Question 14

The Board agrees with the disclosure objectives and the minimum disclosure requirements as set forth in the proposed Statement.

Question 15

The Board agrees that the disclosures for public entities, as set forth in the proposed Statement, would be useful to users of a not-for-profit organization's financial statements.

The Board is very appreciative of the efforts of the FASB to enhance the guidance provided, the value, and the cost effectiveness of financial accounting and reporting for not-for-profit organizations.

Sincerely

Leonard W. Jones, CPA

President