



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
H. Martin Lancaster, President

January 13, 2004

IMPORTANT!

MEMORANDUM

TO: Selected Business Officials

FROM: Kennon Briggs, Vice President
Business and Finance

Kim Van Metre
Systems Accountant

SUBJECT: GASB 39 Compliance

Based on the responses from our recent GASB Statement 39 survey, your college must implement GASB 39 for the year ending June 30, 2004. GASB Statement 39 amends Statement 14 to require that certain organizations be reported as component units in the annual financial statements based on the nature and significance of their relationship with the primary organization. Since your college has met the threshold(s) for colleges and universities set by the system office and UNC-GA, and approved by the Office of State Auditor, you must present the foundation's financial information in a separate column in your annual financial statement report.

It is imperative that foundations issue financial statements that comply with Generally Accepted Accounting Principles (GAAP) and that foundations receive an annual GAAP audit, for accounting periods ending June 30, 2004 and thereafter. Several colleges indicated that their foundations do not issue GAAP financial statements and that their foundations do not receive annual GAAP audits. Failure to issue GAAP financial statements and failure to receive annual GAAP audits will most likely result in qualified opinions on the annual financial statements from the State Auditors, since the auditors' opinions will cover both the college and its discretely presented component units.

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E-Mail

The Office of State Controller (OSC) does not require that the foundations be audited for inclusion in the state's Comprehensive Annual Financial Report (CAFR), since CAFR packages for colleges are not required to be derived from audited amounts. In the state CAFR, the financial statements for all colleges and their foundations will be combined into a single column. OSC has developed a template that the colleges will use to convert the foundation financials to the state CAFR format (GASB 34). You will need to test the template (attached) to see if it properly presents the foundation data.

Please take the necessary steps to ensure that your foundations issue GAAP financial statements and receive GAAP audits for the June 30, 2004 reporting period. Test the template provided by OSC with the foundations' data so that we can make any changes necessary to meet OSC's requirements for the CAFR. Questions, comments and feedback should be directed to Kim Van Metre via email vanmetrek@ncccs.cc.nc.us, or phone (919) 733-7051, Extension 222. We will coordinate this effort with OSC's representative Clayton Murphy.

KDB/KLV

Attachment

pc: Selected Presidents
Clayton Murphy, OSC
Jeff Henderson, Deputy State Auditor