

University of California

Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*

Issued: August 2018



Issues Resolution Memo No. 90-1

Evaluation of GASB Statement No. 90 as it Relates to the UC Reporting Entities

BACKGROUND

GASB Statement No. 90, *Majority Equity Interests — An Amendment of GASB Statements No. 14 and No. 61*, was adopted by the University during the year ended June 30, 2020. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit.

DEFINE ISSUES

The University must determine whether GASB Statement No. 90 changes the reporting of majority equity interest in the financial reporting entity.

AUTHORITATIVE GUIDANCE AND APPROACH

For purposes of applying this standard, an equity interest is a financial interest in a legally separate organization evidenced by owning stock, partnership shares or otherwise have an explicit, measurable right to the net resources of the organization. For equity interests that meet the definition of an investment, the ownership should not be reported as a component unit and should be recorded using the equity method. If the equity interest does not meet the definition of an investment, the holding of a majority equity interest results in the government being financially accountable for the organization and should therefore be reported as a component unit.

The changes made by this standard include the following:

- Requires that holdings of 100% of equity interests be reported as component units,
- Holdings of majority equity interests for blended component units should be eliminated in the combination of the component unit, and
- The acquisition of 100% equity interest in an organization should be reported as a component unit as of the date of acquisition.

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Existing standards should apply for the following:

- Equity interests that meet the definition of an investment should continue to be reported under existing guidance.
- Component units will continue to be reported based on GASB Statement No. 14, as amended.
- Joint ventures with equity interests between 20% and 50% will continue to be reported using the equity method.
- Holdings of majority equity interests (greater than 50%) should continue to be evaluated as component units and a determination should be made whether the holdings should be blended or discretely presented.

IMPLEMENTATION

To implement this standard, the University evaluated whether any 100% equity interests for legally separate organizations were either reported at cost or have not been determined to be component units. The University has had a practice when evaluating legally separate component units where more than a 50% equity interest is held, the holding meets the requirement for financial accountability. Therefore, there are no holdings of 100% equity interest in legally separate organizations that are not already considered component units in the University financial statements, and implementation of Statement No. 90 had no impact on the financial statements.