

University of California
Governmental Accounting Standards Board (GASB) Statement No. 80,
Blending Requirements for Certain Component Units



Issues Resolution Memo No. 80-1

Issued: January 2016

BACKGROUND

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, is early adopted by the University beginning July 1, 2015. GASB believes that being a sole corporate member of a not-for-profit corporation establishes a unique relationship that did not meet the previous blending requirements established in paragraph 53 of Statement 14, as amended. Based on this unique relationship, GASB concluded that blending is the appropriate presentation of a component unit that is a not-for-profit corporation. Statement No. 80 amends the blending requirements established in paragraph 53 of amended Statement No. 14, *The Financial Reporting Entity*, for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

DEFINE ISSUES

The University must determine whether GASB Statement No. 80 changes any existing financial reporting and disclosure requirements for any of the University's financial reporting entities.

AUTHORITATIVE GUIDANCE AND APPROACH

GASB Statement No. 80, paragraph 5, adds the following blending requirement to paragraph 53 of GASB Statement No. 14:

"A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions in paragraphs 21-37 of Statement 14, as amended."

GASB Statement No. 80, paragraph 3 states "This Statement does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*."



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IMPLEMENTATION

Component Units as of June 30, 2015

All component units included in the Universities financial statements are presented as either discretely presented component units, or blended component units. In accordance with GASB Statement No. 14 and No. 39, the University has identified two component units included in its most recent financial statements not using the blending method. The Financial Accounting Group at Office of the President assessed the two discretely presented component units for applicability of GASB Statement No. 80 below. Note GASB Statement No. 80 does not change the requirements of component units already presented using the blending method.

Discretely Presented Component Units as of June 30, 2015

1. Campus Foundations: The University has ten legally separate, tax-exempt, affiliated campus foundations. The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB Statement No.39 as discretely presented component units of the University as of June 30, 2015.
2. CHRCO: The Regents are the sole corporate and voting member of Children's Hospital & Research Center Oakland ("CHRCO"), a private, not-for-profit 501(c)(3) corporation. A Board of Directors comprised primarily of independent directors serves as the governing body of CHRCO. Certain corporate powers are reserved to The Regents, including the power to appoint and remove directors and to approve CHRCO's strategic plan and budget. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. The San Francisco campus provides certain management services for CHRCO. Since the University has the ability to impose its will on CHRCO, under accounting requirements, CHRCO combined with its foundation is reported as a discretely presented component unit of the University as of June 30, 2015.

Timing

GASB Statement No. 80 is required to be implemented for the University's fiscal year ending June 30, 2017. However, the University has elected to implement GASB Statement No. 80 early into the University's fiscal year ending June 30, 2016.



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CONCLUSION:

Pursuant to GASB Statement No. 80, paragraph 3, the campus foundations will continue to be reported under GASB Statement No.39 as discretely presented component units of the University.

As CHRCO is a not-for-profit corporation, the University is the sole corporate member, and it is considered part of UC's financial reporting entity as a component unit pursuant to the provisions in paragraphs 21-37 of Statement 14; CHRCO meets the criteria of GASB Statement No. 80, paragraph 5. In accordance with GASB Statement No. 80, CHRCO is to be presented as a blended component unit of the University as opposed to its June 30, 2015 financial statement presentation as a discretely presented component unit.

Presentation of CHRCO as a blended component unit will be applied to the University's and the San Francisco Medical Center's June 30, 2016 financial statements, and retroactively by restating financial statements, if practical, for all periods presented.

Any future additions or changes to the University's and Medical Center's component units will be assessed for reporting presentation using standards in GASB No. 14, 39, and 80, as needed.