



North Carolina Office of the State Controller

Financial Reporting Update

GASB 80 Effective for FY 2017

July 18, 2016

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* (GASB 80). This Statement adds a new criterion to the blending requirements contained in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended (GASB 14). This new criterion requires blending a component unit organized as a not-for-profit corporation of which the primary government is the sole corporate member. 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 – an Amendment of GASB Statement No. 14* (GASB 39). The Statement applies to all state and local governments but is expected to have the most significant impact on business-type activities and public healthcare entities.

The impact of GASB 80 is limited to the presentation of existing component units. In other words, the standard does not affect the determination of whether an entity is a component unit; it only affects how a component unit should be reported (i.e., with blended or discrete presentation). To implement the standard, governments must evaluate whether discretely presented not-for-profit component units should now be blended based on the new criterion in GASB 80. In addition to the existing blending criteria in GASB 14 as amended, GASB 80 directs a primary government to blend a component unit if (a) the component unit is a not-for-profit corporation of which the primary government is the sole corporate member and (b) the component unit is included in the financial reporting entity pursuant to GASB 14. In order to determine whether it is the sole corporate member, the primary government must review a component unit's articles of incorporation and/or bylaws. GASB 80 indicates that a narrow interpretation of sole corporate membership should be applied by specifically disqualifying situations that may be considered similar to sole corporate membership (such as ownership in the residual equity interest of a component unit) and by specifying, in the Basis for Conclusions, that evaluating sole corporate membership does not require professional judgment.

GASB 80 does not apply to component units that are included in the primary government's financial reporting entity based on the criteria in GASB 39. Because many not-for-profit corporations are classified as component units based on the criteria in GASB 39, this specific exclusion will help avoid uncertainty about the application of GASB 80 to such entities. (Note that the fundraising foundations reported on a university's foundation template are discretely presented based on the criteria in GASB 39 and are therefore excluded from the scope of GASB 80.)

GASB 80 is effective for the fiscal year ending June 30, 2017 and should be applied retroactively. No additional note disclosures are required by this Statement.

To gain additional understanding of GASB 80, please refer to the following resource:

- a. The GASB webpage from which you can access a PDF file of GASB 80 as well as other GASB pronouncements – [GASB Pronouncements](#)

Thank you for your time and attention to this important change. Questions regarding this specific update should be directed to Megan Wallace at (919) 707-0590 or megan.wallace@osc.nc.gov.