

University of Missouri System

Accounting Policies and Procedures



Policy Number: APM1.03.06

Policy Name: Component Units

General Policy and Procedure Overview:

In May, 2002, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. This Statement amends Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a governmental unit.

Detail Policy and Procedure:

Criteria for Determining a Component Unit

A legally separate, tax-exempt fund-raising organization should be reported as a component unit of the institution if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the institution, its component units, or its constituents.
2. Institution or its component units are entitled to, or has the ability to otherwise access, a majority of the separate organization's economic resources.
3. Resources of individual organization are significant to the institution.

Direct benefit to the institution occurs if the separate organization holds and invests resources that will benefit the institution. This is not dependent upon actual transfer of resources, but rather that resources are required to ultimately be used for the benefit of the institution, its component units, or its constituents.

The final determination of the significance of the resources received or held by an individual organization is generally left to professional judgment.

For the University of Missouri System, the Office of the Controller will evaluate the significance of the University's organizations based on the inventory of information provided by the Business Units as shown below.

Procedures Required in Evaluation of Component Units

In order to comply with the external reporting requirements of GASB No. 39, the Office of the Controller will coordinate the review of all potential component units with each business unit in the University of Missouri System. The review will be performed on an annual basis to determine applicability of the Standard as it relates to current operational activity. A further review will be performed by the University's independent auditors during the audit of the combined financial statements of the University of Missouri System to ensure compliance with the reporting requirements of GASB No. 39.

Responsibility:

Procedures Performed by Business Units

An inventory of all foundations and fund-raising organizations will be maintained by each Business Unit on an annual basis. The Vice Chancellor of Administrative Services should capture the following information as part of the annual inventory process:

1. Name of legally separate, tax-exempt organization
2. Tax identification number of the separate entity
3. Business purpose of the entity
4. Copy of latest audited financial statements of the organization, and Form 990, if available
5. Copy of bylaws of organization

After gathering the information in items 1 through 5, the GASB 39 - Component Unit Checklist provided in [Appendix A](#) should be completed for each organization. A copy of the documentation obtained in items 1-5 and the completed GASB 39 - Component Unit Checklist must be provided to the Office of the Controller by May 31st of each fiscal year.

Procedures Performed by Office of the Controller

Upon receiving the inventory list of foundations and related fund-raising organizations, the Office of the Controller will perform the following:

1. Create a master list of all organizations
2. Create a permanent file for all organizations
3. Determine the materiality threshold for including component units as:

University of Missouri System Total Net
Assets, Beginning of the period

Times (x) Threshold Percentage of 2.5%
Component Unit Threshold

1. For all organizations who have Operating Revenues that meet the threshold calculated in Item 3, notify the Business Unit of the required inclusion of the organization in the consolidated financial statements of the University.
2. Begin communication with organization to discuss inclusion in University's financial statements and the annual audit process.

Revised Date: July 1, 2003

Effective Date: July 1, 2003

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.

University of Missouri System Accounting Policies and Procedures



Policy Number: APM1.3.6

Policy Name: Component Units

Appendix A

GASB 39 - Component Unit Checklist

Business Unit _____

Fiscal Year _____

	Complete for each identified organization
Organization Name	
Fiscal Year End	
Tax identification number of organization	
Brief description of purpose or mission	
Total Operating Revenues from most recent Audited Financial Statements or Form 990	
Does the University of Missouri appoint a voting majority of the organization's board (financial accountability)?	
Is the composition of the Board of Curators of the University of Missouri substantively the same as the organization's board?	
Is the University able to impose its will on the organization?	
Is the organization fiscally dependent on the University?	
Does the organization provide a specific financial benefit to the University?	
Does the organization's relationship with the University meet the three criteria of a "Component Unit" as defined?	
Would it be misleading to exclude the organization because of its relationship with the University?	