

AUXILIARY ORGANIZATION

GAAP DETERMINATION-ANALYSIS SEQUENCE

TIER ONE: CATEGORICAL FACTORS¹

If one or more of these characteristics is present:

- Campus president has “controlling majority” of organization’s governing board
- Unilateral dissolution power by CSU with net assets reverting to successor
- Tax levy, power and enforcement,

Then use **THE GASB GAAP subset**. If not, but ...

TIER TWO: PRESUMPTION FACTOR²

The organization has ability to issue directly tax-exempt debt, then it is presumed to be governmental, and should **use the GASB GAAP subset**.

But, if the organization only possesses this ability, and none of the Categorical Factors above, then the governmental presumption can be rebutted with compelling, relevant evidence, such as

TIER THREE: REBUTTING OR REINFORCING FACTORS³

The following *non-authoritative* factors – if supported by the facts and circumstances -- may be relevant to rebut or reinforce the governmental organization presumption:

- Legal decisions within the jurisdiction
- Evidence of managerial control, such as –
 - Ability of a governmental entity to designate day-to-day operating management of the organization;
 - Requirement that an employee of a governmental entity also serve as chief officer of the organization;
 - Imposition on the auxiliary by statute of day-to-day operating requirements so similar to requirements imposed on governmental agencies as to warrant a conclusion that the organization is itself a government; and
 - Provision that the auxiliary’s properties and responsibilities revert to the governmental entity after debt issued by the governmental entity to finance facilities used by the organization has been paid.

>> If none of the Categorical Factors apply, and either the Presumption Factor does not apply, or it does and is rebutted with compelling, relevant evidence, then **use the FASB GAAP subset**.

¹ AAG, *Not-for-Profit Organizations*, §1.03, first paragraph.

² Ibid, §1.03, second paragraph.

³ GASB Staff Paper, “Applicability of GASB Standards,” November 1993 (2643i-11\93).