October 7, 2015

Mr. David R. Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Via email: director@gasb.org

Re: Project No. 3-28E

Dear Mr. Bean:

The Healthcare Financial Management Association’s (HFMA’s) Principles and Practices (P&P) Board appreciates this opportunity to comment on the Governmental Accounting Standards Board’s (GASB’s) exposure draft of the Proposed Statement, Blending Requirements for Certain Component Units.

HFMA is a professional organization of more than 40,000 individuals involved in various aspects of healthcare financial management. In 1975, HFMA founded the P&P Board, a special group of experts to serve as the primary advisory group in the areas of accounting principles and financial reporting practices to meet the unique characteristics of health service organizations.

Summary
The GASB states that the objective of the proposal is to improve guidance regarding the presentation of the financial reporting entity in the financial statements. This proposal would amend the blending criteria established in Statement No. 14, The Financial Reporting Entity, as amended. The proposal would establish an additional blending criterion for the financial statement presentation of component units of all state and local governments. The proposed criterion would require blending of component units incorporated as not-for-profit corporations when the primary government is the sole corporate member of the corporation. This proposed blending criterion would not apply to component units included in the financial reporting entity by Statement No. 39, Determining Whether Certain Organizations Are Component Units.

HFMA P&P Board’s response
We generally agree with the provisions of the exposure draft and believe that it will enhance the comparability of financial statements by requiring blending of component units incorporated as not-for-profit corporations when the primary government is the sole corporate member of the corporation. We appreciate the reference in the background information within the project plan to the 2012 liaison meeting with the HFMA P&P Board and the discussion held on financial reporting entity issues. As noted in that discussion, HFMA P&P Board representatives encouraged the GASB to allow the optional single or multiple-column approach set forth in Statement 61, The Financial Reporting Entity: Omnibus, for blending component units to be applied to all component units of business-type activities.
We request that the final document include a definition for “sole corporate member,” including the circumstances when a primary government demonstrates being a sole corporate member.

Many not-for-profit organizations that meet the new blending criterion will report under the FASB’s reporting framework in their stand-alone financial statements. The current GASB standards as well as this proposed standard do not include explicit guidance about how to include blended component units that are reported under a framework other than the GASB’s, and whether those statements should be reformatted to follow the GASB’s reporting requirements. We ask that explicit guidance be added to address how governments should include component units that report under a framework other than GASB’s. We support current practice that blended component units’ financial statements should be reformatted to the GASB’s reporting framework, and discretely presented component units’ financial statements can be either reformatted or left in their original framework as separate statements. While the approaches for discretely presented component units with differing frameworks can be found in the Comprehensive Implementation Guide, guidance is not provided for blended component units with differing frameworks.

Thank you for the opportunity to comment. We are always ready to provide additional comments, or meet with you or members of your board to discuss this matter further. If we can provide additional material or perspective on this issue, please contact Richard Gundling, Vice President of HFMA’s Washington, DC office, at (202) 296-2920 ext. 605, or rgundling@hfma.org.

Sincerely,

Brian Conner, CPA
P&P Board Chair