

ADMINISTRATIVE POLICY

Financial Statement Consolidation Policy

Approval Authority:	Vice Chancellor for Finance	Originally issued: March 2018
Responsible Administrator:	Controller	
Responsible Office:	Finance	Current version effective as of: November 2019
Policy Contact:	Assistant Director of Financial Reporting	

POLICY STATEMENT/REASON FOR POLICY

This document defines the policies governing the accounting and financial reporting for Vanderbilt’s consolidated entities. This policy outlines the processes necessary to ensure proper financial statement presentation of these entities within Vanderbilt’s consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This policy is effective beginning in fiscal 2020.

Vanderbilt’s level of insight into, and oversight of, each consolidated entity’s financial processes and information determines the resulting scope distinction for purposes of this policy. This policy applies to all Vanderbilt consolidated entities for which Vanderbilt does not have direct access to financial information (referred to as “in-scope” entities). Vanderbilt will revise this document as needed to reflect new relationships or changes in existing relationships with identified entities.

THIS POLICY APPLIES TO

A. In-scope entities

Financial statement information for in-scope entities generally is maintained in separate ledgers, which inherently limits Vanderbilt’s access to such information. The policies outlined in this document are intended to provide Vanderbilt with access to timely, accurate, and reliable financial information. The following consolidated entities are in-scope for purposes of this policy:

1. Vanderbilt Student Communications (VSC) is a 501(c)(3) nonprofit tax-exempt corporation of which Vanderbilt University is the sole member. VSC publishes the student publications of the university, including the twice-weekly student newspaper, the yearbook, and WRVU (a student-run radio station currently operated in an online-only format).
2. Vanderbilt Legends Club (VLC) is a Tennessee taxable corporation of which Vanderbilt University is the sole shareholder. VLC owns and operates the Vanderbilt Legends Club, a private golf club with two 18-hole championship courses located on 300 acres in Franklin, Williamson County, Tennessee.
3. West Trace LLC (West Trace) is a Tennessee limited liability company of which Vanderbilt University is the sole member. West Trace consists of a parcel of land encumbered by the building and operations of a Holiday Inn hotel acquired in August

2019.

4. Royal Tree, LLC (Royal Tree) is a Delaware limited liability company of which Vanderbilt University is the sole member and considered a disregarded entity for tax purposes. Royal Tree operates, owns, and holds the sold assets as part of the second securitization of a Trademark License Agreement.

B. Out of scope entity

Financial information for out of scope entities generally is transacted within Vanderbilt's general ledger or within a subledger for which Vanderbilt personnel have access and oversight. Vanderbilt's involvement with this entity is sufficient to ensure the accuracy and reliability of the underlying financial information. As a result, the following consolidated entity is out of scope for purposes of this policy:

1. Star V Partners LLC (Star V) was formed in fiscal 2015 and is a limited liability long/short trading platform utilized by external managers engaged by the Office of Investments.

POLICY

A. Reporting

All in-scope consolidated entities must regularly provide detailed financial information to Vanderbilt management for use in preparation of the annual budget, quarterly and annual consolidated financial statements, and accompanying analytical documents. This reported information should include:

1. Budget: On an annual basis, no later than February 15th of each year, all in-scope entities must provide their Board approved budget for the following fiscal year to Vanderbilt Financial Planning & Analysis (FP&A).
2. Financial results: On at least a quarterly basis, all in-scope entities must provide financial results (balance sheet and income statement trial balance) to Vanderbilt Finance. These entities are also responsible for identification and communication of intercompany transactions or balances for purposes of elimination. Financial results of all consolidated entities will be included within Vanderbilt's quarterly financial reporting to provide visibility to management regarding these entities' operating results and impact to the consolidated financial statements.
 - a. Consolidation entries: On at least a quarterly basis, Vanderbilt employees within the related operational areas (e.g. VU Real Estate, Dean of Students) will prepare journal entries to record the entities' balances and activity to the Vanderbilt general ledger. These employees will also facilitate analysis and explanations regarding significant budget to actual variances.
 - b. Elimination entries: On at least a quarterly basis, Finance will prepare journal entries to ensure proper elimination of intercompany activity and balances within the consolidated financial statements.
 - c. Review of actual results: On at least a quarterly basis, Finance will review financial information provided by consolidated entities to ensure accuracy

and reliability. On an annual basis, Finance will review the annual financial statements and associated external auditor's report (as applicable).

- d. Review of budget to actual variances: On at least a quarterly basis, FP&A will review Vanderbilt's budget to actual variances, including those for all consolidated entities. As needed, individuals within the respective consolidated entities will provide explanations for significant variances from budget.

B. Internal Controls

Each entity should have internal controls in place sufficient to ensure the accuracy and completeness of resulting financial statement information. On at least an annual basis, appropriate individuals within each of the consolidated entities should perform an evaluation of internal controls to identify any significant control gaps or deficiencies. As necessary, Vanderbilt's Office of Audit, Risk, and Advisory Services (ARAS) can provide support for these evaluation efforts. Additionally, as a consolidated entity, these entities may be subject to internal audit by ARAS. Vanderbilt expects these entities to comply with any audit requests from ARAS and appropriately address any findings.

C. External Audit

All in-scope consolidated entities must engage an independent accounting firm to perform an external audit on an annual basis. At its discretion, Vanderbilt management may waive this requirement due to materiality, results of reviews by ARAS, and/or the availability and accuracy of financial statement information otherwise provided by the entity to Vanderbilt on a regular basis. Any required external audits must be completed no later than 75 days after June 30 of each year, prior to finalization of Vanderbilt's consolidated financial statements, to ensure accuracy of Vanderbilt's audited financial statements.

D. Taxes

All consolidated entities are directly responsible for timely preparation and filing of their respective Form 990 returns.

DEFINITIONS

Consolidated entity – A separate legal entity in which Vanderbilt holds a controlling financial interest (generally greater than 50%). In accordance with ASC 810, *Consolidation*, financial results of all consolidated entities must be appropriately included within Vanderbilt's consolidated financial statements.

Consolidated financial statements – The consolidated balance sheet, income statement, statement of cash flows, and accompanying notes and commentary on results of operations, included within internal quarterly reporting and external annual financial statements. These financial statements include Vanderbilt's accounts and those of all other legal entities in which Vanderbilt holds a controlling financial interest.

In-scope entity – A consolidated entity for which Vanderbilt does not have direct financial oversight and is therefore in-scope for purposes of this policy.

Intercompany transactions – Balances or activity arising from transactions between entities that require elimination within the consolidated financial statements.

Out of scope entity – A consolidated entity for which Vanderbilt has direct financial oversight and is therefore excluded from the scope of this policy.

CONSEQUENCES OF NON-COMPLIANCE

Non-compliance with this policy could results in a qualified audit opinion as part of the year-end financial statement audit.

PROCEDURES

N/A

FREQUENTLY ASKED QUESTIONS

N/A

ADDITIONAL CONTACTS

Subject	Contact	Office	Phone
Consolidation	Finance	Financial Reporting	(615) 343-6601

RELATED POLICIES/DOCUMENTS

N/A

HISTORY

Issued: March 2018
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Procedures Website

N/A

FAQ Website

N/A