

# Accounting for Not-for-Profit Organization



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# THE NATURE OF NOT-FOR-PROFIT ORGANIZATIONS

## A not-for-profit entity

- (1) Receives contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return,
- (2) Operates for purposes other than to provide goods or services at a profit, and
- (3) Does not possess ownership interests like those of business enterprises



**A governmental not-for-profit organization** meets the aforementioned not-for-profit criteria and also possesses one of the following characteristics: officers are elected by popular vote or appointment by a state or local government; a government can unilaterally dissolve the entity, with the assets reverting back to the government; or the entity has the power to enact and enforce a tax levy

**Nongovernmental not-for-profit organizations** are NFP entities that lack the governmental element. All nongovernmental, not-for-profit organizations—whether voluntary health and welfare organizations (VHWOs), health care organizations, colleges and universities, or other—use essentially the same basic guidance, although the nature of their transactions differs



# NOT-FOR-PROFIT ACCOUNTING PRINCIPLES

## Financial Statements

The three classes of net assets are defined as follows:

- **Permanently restricted net assets** are the portion of net assets whose use is limited by donor-imposed stipulations that do not expire by time and cannot be removed by action of the not-for-profit entity.
- **Temporarily restricted net assets** are the portion of net assets whose use is limited by donor-imposed stipulations that either expire (time restrictions) or can be removed by the organization fulfilling the stipulations (purpose restrictions).
- **Unrestricted net assets** are the portion of net assets that carry no donor-imposed stipulations.

*Organizations can report revenues, gains, and losses in each net asset class, but expenses are reported only in the unrestricted net assets class.*



# Contributions

For some not-for-profit entities, contributions are a major source of revenue. GAAP defines a **contribution** as “an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary, nonreciprocal transfer by another entity acting other than as an owner.”

GAAP describes a *promise to give* as a written or oral agreement to contribute cash or other assets to another entity. The promise should be verifiable by evidence such as pledge cards or tape recordings of oral promises. A promise to give may be **conditional** or **unconditional**.



A ***conditional promise to give*** depends on the occurrence of a specified future and uncertain event to bind the promisor. For example, a church parishioner may pledge to contribute a sum of money if a local government approves a proposed church renovation.

An ***unconditional promise to give*** depends only on the passage of time or demand by the promisee for performance. Promises to give are unconditional if the possibility that a condition will not be met is remote. Organizations recognize unconditional promises to give as contribution revenue and receivables in the period in which the promise is received.



# DONOR-IMPOSED RESTRICTIONS OR CONDITIONS

A *donor-imposed condition* provides that the donor's money be returned or the donor be released from the promise to give if the condition is not met. *Donor imposed restrictions* simply limit the use of contributed assets. If it is unclear whether donor stipulations are conditions or restrictions, the organization should presume that the promise is conditional. A donor-imposed restriction expires in the period in which the restriction is satisfied (i.e., when a time restriction is met or a purpose restriction satisfied). If a given contribution is subject to more than one restriction, the restrictions expire in the period in which the last restriction is satisfied.





# GIFTS OF LONG-LIVED ASSETS

The two acceptable methods are as follows:

1. The organization may adopt an accounting policy that implies a time restriction that expires over the useful life of the donated asset. As in the case of contributed long-lived assets with an explicit donor-imposed time restriction, the gift is reported as restricted support in temporarily restricted net assets. Depreciation is recorded as an expense in unrestricted net assets, and a reclassification for the amount of the depreciation from temporarily restricted to unrestricted net assets. (This also applies to assets purchased with cash that was restricted to the purchase of long-lived assets.)
2. If no policy implying a time restriction exists and there are no donor imposed restrictions, the gifts are unrestricted support.





# INVESTMENTS AND INVESTMENT INCOME

Not-for-profit organizations initially record purchased investments at their cost and contributed investments at fair value in the appropriate net asset classification. They recognize investment income as earned and report the income as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on donor-imposed restrictions on the use of the investment income.



# Transfers That Are Not Contributions

## **EXCHANGE TRANSACTIONS**

Exchange transactions are reciprocal transfers in which both parties give and receive approximately equal value. Sales of products and services are exchange transactions. Exchange transactions are sometimes difficult to distinguish from contributions.

## **AGENCY TRANSACTIONS**

An agency transaction is one in which assets are transferred to the not-for-profit organization, but the not-for-profit organization has little or no discretion over the use of those assets, and the assets are passed on to a third party. The resource provider is using the not-for-profit entity as an agent or intermediary to transfer assets to a third-party done.

## **GIFTS IN KIND**

Gifts in kind are noncash contributions, such as clothing, furniture, and services. They are contributions if the not-for-profit entity has discretion over the disposition of the resources. Otherwise, the entity will account for the gifts as agency transactions.



# Measurement Principles

Not-for-profit organizations measure contributions at fair value. Quoted market prices are the best estimate of fair values for both monetary and nonmonetary assets. Other valuation methods that might be used include quoted market prices for similar assets or independent appraisals. If a reasonable estimate for fair value cannot be made, the contribution should not be recognized.

Recall that not-for-profit organizations record unconditional promises to give when pledges are made. If the fair value of the contributed asset changes significantly between the pledge date and the date the asset is received, the not-for-profit entity accounts for the contribution as follows:

- No additional revenue is recognized if the fair value increases.
- If the fair value decreases, the difference is recognized in the period the decrease occurred and is reported as a change in the net asset class in which the revenue was originally reported or in the class where the net assets are represented.



# Collections

Collections of works of art, historical treasures, and similar items may be capitalized but are not required to be so long as the following conditions are satisfied:

- They are held for public exhibition, education, or research in furtherance of public service rather than financial gain.
- They are protected, kept encumbered, cared for, and preserved.
- They are subject to an organizational policy that requires proceeds from sales of collection items to be used to acquire other items for collections.



# Fund Accounting

Fund accounting principles provide a convenient method for segregating the accounting records of resources restricted for specific purposes. Many not-for-profit organizations choose to use fund accounting for internal accounting, although FASB issuances and the AICPA guide do not require fund accounting. Although GAAP allows fund reporting as additional information, fund information is rarely presented in financial statements of nongovernmental not-for-profit organizations.



# VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS

## Accounting for a VHWO

A group of concerned citizens organized a voluntary health and welfare organization called Neighbors Helping Neighbors (NHN). The following journal entries provide examples of some typical accounting procedures for this organization.





Expenses—supporting services—fund-raising	145	
Cash		145
To record payment for decals used in fund-raising.		
Cash	4,000	
Unrestricted support—contributions		4,000
To record cash contributions.		
Contributions receivable	6,000	
Allowance for uncollectible contributions		600
Unrestricted support—contributions		3,600
Temporarily restricted support—contributions		1,800
To record unrestricted promises to give, promises restricted for use in 2012, and estimated uncollectibles.		

NHN collected \$3,600 of the contributions receivable due in 2011 and wrote off the remaining \$400 as uncollectible:

Cash	3,600	
Allowance for uncollectible contributions	400	
Contributions receivable		4,000
To record collection of contributions receivable.		





Cash	2,000	
Allowance for uncollectible contributions	200	
Contributions receivable		2,000
Unrestricted support—contributions		200
To record collection of receivables and recognize support for the difference between the estimated and actual allowance for uncollectible amounts.		
Temporarily restricted net assets—reclassifications out	1,800	
Unrestricted net assets—reclassifications in		1,800
To reclassify net assets for which the restriction has been met.		



Cash	1,000	
Temporarily restricted support—contributions		1,000
To record a gift restricted for a special project.		
Expenses—program services—community service	900	
Cash		900
To record purchase of supplies used in the playground project.		
Temporarily restricted net assets—reclassifications out	900	
Unrestricted net assets—reclassifications in		900
To reclassify net assets restricted for the playground project for which the restriction has been met.		



# DONATED LONG-LIVED ASSETS

Equipment	1,500	
Temporarily restricted support—contributions		1,500
To record receipt of donated van.		
Depreciation expense—program services—community service	500	
Accumulated depreciation—equipment		500
To record depreciation.		
Temporarily restricted net assets—reclassifications out	500	
Unrestricted net assets—reclassifications in		500
To record reclassification of net assets for which the temporary restriction is satisfied.		



# SPECIAL EVENT FUND-RAISERS

Cash	950	
Unrestricted gains—special event		950
To record proceeds from a fund-raising event.		
Unrestricted gains—special event	650	
Cash		650
To charge costs of fund-raising event against support from the event.		





# GIFTS IN KIND

Cost of goods sold	550	
Cash		550
To pay costs of storing and moving rummage sale items.		
Cash	6,595	
Unrestricted revenues—sales		6,595
To record proceeds from rummage sale.		
Materials and supplies inventory	390	
Unrestricted support—contributions		390
To record receipt of office supplies.		



# MEMBERSHIP FEES

Cash	11,500	
Unrestricted revenues—dues		6,300
Unrestricted support—contributions		5,200
To record revenue and support from the sale of memberships.		



# DONATED SECURITIES AND INVESTMENT INCOME

Securities	5,000	
Permanently restricted support—contribution		5,000
To record receipt of securities permanently restricted for a park enhancement project.		
Cash	475	
Temporarily restricted revenue—investment income		475
To record investment income restricted for a park enhancement project.		





# SUPPLIES

Materials and supplies inventory	3,550	
Unrestricted support—contributions		2,050
Cash		1,500
To record donated materials and supplies and to record purchase of supplies.		
Expenses—supporting services—management and general	790	
Expenses—program services—recreation programs	2,000	
Expenses—program services—community service	1,400	
Expenses—supporting services—fund-raising	600	
Materials and supplies inventory		4,790
To record allocation of supplies expense.		



# DONATED SERVICES AND PAYMENT OF SALARIES

Expenses—supporting services—management and general	1,200	
Unrestricted support—donated services		1,200
To record donated services allocated to management and general expenses.		
Expenses—program services—recreation programs	6,000	
Expenses—program services—community service	4,000	
Expenses—supporting services—management and general	1,500	
Expenses—supporting services—fund-raising	500	
Cash		12,000
To record salaries allocated to program services and supporting services.		



# DEPRECIATION

Depreciation expense—program services— recreation programs	3,000	
Depreciation expense—program services— community service	4,000	
Depreciation expense—supporting services— management and general	1,000	
Accumulated depreciation		8,000
To record depreciation allocated to program services and supporting services.		



# FIXED ASSET PURCHASE WITH RESTRICTED RESOURCES

Equipment	4,000	
Cash		4,000
To record payment for the purchase of equipment.		
Temporarily restricted net assets—reclassifications out	3,000	
Unrestricted net assets—reclassifications in		3,000
To record reclassification of temporarily restricted net assets.		





**CLOSING ENTRIES** NHN's closing entries for 2011 are as follows:

Unrestricted support—contributions	15,240	
Unrestricted revenues—dues	6,300	
Unrestricted support—donated services	1,200	
Unrestricted revenues—sales	6,595	
Unrestricted gains—special event	300	
Unrestricted net assets—reclassifications in	4,400	
Expenses—program services—community service		10,800
Expenses—program services—recreation programs		11,000
Expenses—supporting services—fund-raising		1,245
Expenses—supporting services—management and general		4,490
Cost of goods sold		550
Unrestricted net assets		5,950
Temporarily restricted support—contributions	4,300	
Temporarily restricted revenue—investment income	475	
Temporarily restricted net assets—reclassifications out		4,400
Temporarily restricted net assets		375
Permanently restricted support—contribution	5,000	
Permanently restricted net assets		5,000



# Financial Reporting

<b>NEIGHBORS HELPING NEIGHBORS (A VHWO) STATEMENTS OF FINANCIAL POSITION – DECEMBER 31, 2011 AND 2010</b>		
	2011	2010
<i>Assets</i>		
Cash and cash equivalents	\$22,375	\$14,000
Inventories	750	1,600
Contributions receivable (less allowance of \$300 in 2011 and \$100 in 2010)	2,200	400
Short-term investments	1,000	1,000
Land, buildings, and equipment (less accumulated depreciation of \$16,500 in 2011 and \$8,000 in 2010)	34,000	37,000
Assets restricted for endowment	10,000	5,000
<b>Total assets</b>	<u><u>\$70,325</u></u>	<u><u>\$59,000</u></u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
Accounts payable	\$ 2,300	\$ 2,300
Grants payable	1,550	1,550
Mortgage payable	3,000	3,000
Interest payable	50	50
<b>Total liabilities</b>	<u><u>\$ 6,900</u></u>	<u><u>\$ 6,900</u></u>
<i>Net assets</i>		
Unrestricted	\$24,350	\$18,400
Temporarily restricted	29,075	28,700
Permanently restricted	10,000	5,000
<b>Total net assets</b>	<u><u>63,425</u></u>	<u><u>52,100</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$70,325</u></u>	<u><u>\$59,000</u></u>





**NEIGHBORS HELPING NEIGHBORS (A VHWO) STATEMENT  
OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011**

<i>Changes in Unrestricted Net Assets</i>			
Revenues and gains			
Contributions		\$15,240	
Membership dues		6,300	
Donated services		1,200	
Sales, net		6,045	
Special event	\$950		
Less: Direct costs	<u>650</u>	<u>300</u>	
Total unrestricted revenues and gains			\$29,085
Net assets released from restrictions			
Satisfaction of program restriction		900	
Expiration of time restriction		<u>3,500</u>	
Total net assets released from restrictions			<u>4,400</u>
Total unrestricted revenues, gains, and other support			<u>33,485</u>
Expenses and losses			
Program services			
Community service		10,800	
Recreation programs		<u>11,000</u>	21,800
Supporting services			
Fund-raising		1,245	
Management and general		<u>4,490</u>	<u>5,735</u>
Total expenses and losses			<u>27,535</u>
Increase in unrestricted net assets			5,950
<i>Changes in Temporarily Restricted Net Assets</i>			
Contributions		4,300	
Income on investments		475	
Net assets released from restrictions		<u>(4,400)</u>	
Increase in temporarily restricted net assets			375
<i>Changes in Permanently Restricted Net Assets</i>			
Contributions			<u>5,000</u>
Increase in net assets			11,325
Net assets at the beginning of the year			<u>52,100</u>
Net assets at the end of the year			<u>\$63,425</u>





# “OTHER” NOT-FOR-PROFIT ORGANIZATIONS

## NEIGHBORS HELPING NEIGHBORS (A VHWO) STATEMENT OF CASH FLOWS—INDIRECT METHOD YEAR ENDED DECEMBER 31, 2011

<i>Cash Flows from Operating Activities</i>		
Change in net assets		\$11,325
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	\$ 8,500	
Increase in net contributions receivable	(1,800)	
Decrease in inventories	850	
Noncash contribution of equipment	(1,500)	
Noncash contribution of securities	<u>(5,000)</u>	<u>1,050</u>
Net cash provided by operating activities		12,375
<i>Cash Flows from Investing Activities</i>		
Cash paid for equipment	<u>(4,000)</u>	
Net cash used for investing activities		(4,000)
<i>Cash Flows from Financing Activities</i>		
Net cash used in financing activities		<u>—</u>
Increase in cash and cash equivalents		8,375
Cash and cash equivalents at beginning of year		<u>14,000</u>
Cash and cash equivalents at end of year		<u><u>\$22,375</u></u>



# NONGOVERNMENTAL NOT-FOR-PROFIT HOSPITALS AND OTHER HEALTH CARE ORGANIZATIONS

## NEIGHBORS HELPING NEIGHBORS (A VHWO) STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011

	Total	Community Service	Recreation Programs	Fund-Raising	Management and General
Salaries	\$12,000	\$ 4,000	\$ 6,000	\$ 500	\$1,500
Supplies	5,835	2,300	2,000	745	790
Professional fees	1,200	—	—	—	1,200
Depreciation	8,500	4,500	3,000	—	1,000
	<u>\$27,535</u>	<u>\$10,800</u>	<u>\$11,000</u>	<u>\$1,245</u>	<u>\$4,490</u>

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<sup>7</sup>As noted earlier, the FASB created a not-for-profit advisory group in 2009. Some of the members of the advisory group are health care experts.



# Accounting for a Nongovernmental Not-for-Profit Hospital

Patient accounts receivable	1,300,000	
Patient service revenues—unrestricted		1,300,000
To record patient service charges at established rates.		
Courtesy discounts	9,000	
Contractual adjustments	300,000	
Patient accounts receivable		309,000
To record courtesy discounts and contractual adjustments.		
Bad debt expense	26,000	
Allowance for uncollectible patient accounts receivable		26,000
To establish an allowance for uncollectible receivables.		





# PREMIUM FEES

Cash	454,000	
Premium revenue—unrestricted		454,000
To record premium revenue from capitation agreements.		



# OTHER OPERATING REVENUES

Cash (or accounts receivable)	316,000	
Other operating revenue—unrestricted		316,000
To record revenue from rentals, fees charged for courses, and gift shop and cafeteria proceeds.		



# GIFTS AND BEQUESTS

Cash	275,000	
Unrestricted support—nonoperating gains		25,000
Temporarily restricted support		250,000
To record receipt of contributions.		



# DONATED ASSETS

Investments	500,000	
Temporarily restricted support		500,000
To record donation of securities.		

At year-end, Community General determined that the market value of the investment increased by \$40,000:

Investments	40,000	
Net realized and unrealized gains on investments—		
temporarily restricted		40,000
To record receipt of investment appreciation restricted		
to the acquisition of diagnostic equipment.		

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<sup>8</sup>Many hospitals have a separate fund-raising entity typically called a Foundation, regardless of whether the hospital is governmental, not-for-profit or investor-owned. Foundations collect unrestricted, temporarily restricted, and permanently restricted endowments. The results and condition of foundations can be reported separately, discretely presented with the hospital, or blended (i.e., combined) into the parent hospital depending upon the circumstances.





Cash	600,000	
Investments		540,000
Temporarily restricted support—gain on the sale of investments		60,000
To record sale of securities.		
Equipment	560,000	
Cash		560,000
To record purchase of diagnostic equipment.		
Temporarily restricted net assets—reclassifications out	560,000	
Unrestricted net assets—reclassifications in		560,000
To record reclassification of net assets for which the temporary restriction is satisfied.		



# OPERATING EXPENSES

Nursing services expense	355,000	
Other professional services	115,000	
Fiscal services	112,000	
Administrative services	120,000	
Wages and salaries payable		702,000
To record accrual of payroll.		



Inventory of materials and supplies	110,000	
Cash (or accounts payable)		110,000
To record purchase of supplies.		
Nursing services expense	50,000	
Other professional services expense	40,000	
Fiscal services expense	5,000	
Administrative services expense	8,000	
Inventory of materials and supplies		103,000
To record usage of materials and supplies.		

Community General Hospital recognizes depreciation on its equipment (\$50,000) and building (\$20,000):

Depreciation expense	70,000	
Accumulated depreciation—equipment		50,000
Accumulated depreciation—building		20,000
To record depreciation on major equipment and building.		



**CARE HOSPITAL STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011**

<i>Current Assets</i>		
Cash and cash equivalents		\$ 60,000
Investments		540,000
Accounts receivable—patients, less \$120,000 estimated uncollectible receivables		1,080,000
Accounts receivable—Medicare		400,000
Receivable from limited-use assets		100,000
Inventories and prepaid items		<u>170,000</u>
Total current assets		<u>2,350,000</u>
<i>Noncurrent Assets</i>		
Assets whose use is limited by board for capital improvements		230,000
Property, plant, and equipment:		
Land	650,000	
Buildings	\$5,000,000	
Fixed equipment	2,000,000	
Movable equipment	<u>1,500,000</u>	
	8,500,000	
Less: Accumulated depreciation	<u>2,800,000</u>	5,700,000
Total property, plant, and equipment		<u>6,350,000</u>
Assets restricted for plant purposes		<u>300,000</u>
Assets restricted for endowment		1,420,000
Total assets		<u>\$10,650,000</u>
<i>Current Liabilities</i>		
Accounts payable		\$ 300,000
Accrued interest		150,000
Accrued salaries		210,000
Payroll taxes payable		140,000
Accrued pension expense		50,000
Current portion of long-term debt		<u>100,000</u>
Total current liabilities		<u>950,000</u>
<i>Long-Term Debt</i>		
Notes payable		500,000
Bonds payable (net of current portion)		900,000
Mortgage payable		<u>3,000,000</u>
Total long-term liabilities		<u>4,400,000</u>
Total liabilities		<u>5,350,000</u>
<i>Net Assets</i>		
Unrestricted		\$ 3,220,000
Temporarily restricted		660,000
Permanently restricted		<u>1,420,000</u>
Total net assets		<u>5,300,000</u>
Total liabilities and net assets		<u>\$10,650,000</u>





**CARE HOSPITAL STATEMENT OF CASH FLOWS (INDIRECT METHOD) FOR THE YEAR ENDED DECEMBER 31, 2011**

<i>Cash Flows from Operating Activities and Gains and Losses</i>		
Change in net assets		\$1,690,000
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for depreciation	\$ 400,000	
Provision for uncollectible accounts	600,000	
Decrease in Medicare accounts receivable	40,000	
Decrease in unearned interest (limited-use assets)	15,000	
Increase in accounts payable and accrued expenses	60,000	
Increase in patient accounts receivable	(195,000)	
Increase in inventories and supplies	<u>(40,000)</u>	<u>880,000</u>
Net cash provided by operating activities and gains and losses		2,570,000
<i>Cash Flows from Investing Activities</i>		
Purchase of property, plant, and equipment	(2,280,000)	
Purchase of investments	(300,000)	
Cash invested in limited-use assets	<u>(350,000)</u>	
Net cash used by investing activities		(2,930,000)
<i>Cash Flows from Financing Activities</i>		
Proceeds from contributions restricted for investment in endowment	300,000	
Other financing activities		
Proceeds from long-term note payable	500,000	
Repayment of bonds payable	(100,000)	
Repayment of mortgage note payable	<u>(800,000)</u>	
Net cash used by financing activities		<u>(100,000)</u>
Net decrease in cash for 2011		(460,000)
Cash and cash equivalents at beginning of year		520,000
Cash and cash equivalents at end of year		<u>\$ 60,000</u>





# Accounting for a Private Not-for-Profit College or University

Accounts receivable	1,000,000	
Unrestricted revenues—tuition and fees		1,000,000
To record tuition and fees.		
Tuition reduction: unrestricted—student aid	50,000	
Accounts receivable		50,000
To record tuition reductions.		
Expenses—educational and general—institutional support	30,000	
Allowance for uncollectible accounts		30,000
To record allowance for uncollectible accounts.		



# APPROPRIATIONS FROM FEDERAL, STATE, AND LOCAL GOVERNMENTS

Cash	700,000	
Unrestricted revenues—state appropriation		700,000
To record appropriations from the state government.		



# STUDENT FINANCIAL AID

Cash	150,000	
Grant funds held for students		150,000
To record the receipt of Pell Grant funds.		
Grant funds held for students	150,000	
Cash		150,000
To record the distribution of Pell Grant funds.		



# CONTRIBUTIONS

Cash	300,000	
Contributions receivable	12,000	
Unrestricted revenues—contributions		225,000
Temporarily restricted revenues—contributions		87,000
To record contributions received and pledged.		



# ENDOWMENTS

Cash	50,000	
Permanently restricted revenues—endowment contribution		50,000
To record receipt of an endowment.		
Cash	4,000	
Temporarily restricted revenues—endowment income		4,000
To record endowment income.		
Expenses: Unrestricted—student aid	2,500	
Cash		2,500
To record payment of scholarships.		
Temporarily restricted net assets—reclassifications out	2,500	
Unrestricted net assets—reclassifications in		2,500
To record reclassification of net assets for which the temporary restriction is satisfied.		





# SALES AND SERVICES OF AUXILIARY ENTERPRISES

Cash	60,800	
Revenues—auxiliary enterprises		60,800
To record sales and services related to auxiliary enterprises.		
Supplies inventory	30,000	
Cash (or accounts payable)		30,000
To record purchase of supplies.		
Expenses—auxiliary enterprises—supplies	28,000	
Supplies inventory		28,000
To record utilization of supplies related to auxiliary enterprises.		
Expenses—auxiliary enterprises	31,000	
Cash		31,000
To record expenses for salaries of auxiliary enterprises.		



# SALES AND SERVICES OF EDUCATIONAL ACTIVITIES

Cash	550	
Revenue—educational and general		550
To record sales related to educational activities.		



# EXPENSES

Expenses—educational and general—instruction	45,000	
Expenses—educational and general—research	22,000	
Expenses—educational and general—student services	12,000	
Expenses—educational and general—institutional support	3,500	
Cash (or payables)		82,500
To record expenses for June.		



# PURCHASE OF PLANT ASSETS

Equipment	35,000	
Cash		35,000

To record purchase of equipment with unrestricted funds.

Expenses—educational and general—instruction	1,300	
Expenses—educational and general—research	800	
Expenses—educational and general—student services	1,000	
Expenses—educational and general—institutional support	400	
Accumulated depreciation		3,500

To record depreciation of equipment.

Cane College purchases land adjacent to the campus. The land costs \$200,000, and financial resources were previously restricted for the purchase. The entries to record this transaction are as follows:

Land	200,000	
Cash		200,000

To record payment for the purchase of land.





**ALMA MATER UNIVERSITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<i>Revenues</i>	
Tuition and fees (net of allowances of \$150,000)	\$1,000,000
State appropriations	1,200,000
Federal grants and contracts	50,000
Private grants and gifts	400,000
Endowment income	75,000
Sales and services of educational departments	60,000
Sales and services of auxiliary enterprises	800,000
Total current revenues	<u>3,585,000</u>
<i>Total net assets released from restrictions for operations</i>	<u>370,000</u>
Total revenues and reclassifications	<u>3,955,000</u>
<i>Expenses</i>	
Educational and general	
Instruction	1,640,000
Research	850,000
Public service and extension	100,000
Academic support	50,000
Student services	40,000
Institutional support	90,000
Operation and maintenance of plant	80,000
Student aid	150,000
Educational and general expenditures	<u>3,000,000</u>
Auxiliary enterprises Expenses	865,000
Total operating expenses	<u>3,865,000</u>
Net increase in unrestricted net assets	90,000



<i>Changes in temporarily restricted net assets:</i>	
Federal grants and contracts	100,000
Private grants and gifts	250,000
Endowment income	20,000
Net assets released from restrictions	<u>(370,000)</u>
Increase in temporarily restricted net assets	0
 <i>Changes in permanently restricted net assets:</i>	
Private grants and gifts	<u>100,000</u>
Increase in permanently restricted net assets	100,000
 Change in net assets	 190,000
Net assets, July 1, 2010	<u>535,000</u>
Net assets, June 30, 2011	<u><u>\$ 725,000</u></u>



THANK YOU