Chapter 14

♦ Accounting for Not-for-Profit Organizations
SFAS NO. 116:
Accounting for Contributions Received and Contributions Made

SFAS NO. 117:
Financial Statements of Not-for-Profit Organizations
Commonalties

- Organization Type
- Fund Accounting
- Net Asset Classifications
  - Permanent Restrictions
  - Temporary Restrictions
  - Unrestricted Net Assets
SFAS 116: Contributions Received and Made

- Cash, Other Assets, Promises to Give, Non-Reciprocal Transfers
- Fair Value
- Donor Imposed Condition vs. Restriction
- Contributed Services
- Contributions Made
Recognition of Restricted Contribution

- Restricted Support
- Unconditional Promise
- Long Lived Assets
- Recognize in Period
- Received or Pledged
Expiration of Restricted Support

- Recognize in Period of Expiration
  - Decrease in Temporary Restricted Net Assets
  - Increase in Unrestricted Net Assets
- $↑ & ↓$ always equal amount
Expiration of Restricted Support cont...

- Depreciable Asset Expiration
  - Policy exists – reclassify depreciation amount every period
  - No policy exists – reclassify capitalized amount in period purchased
Contributed Collection Items

♦ Do Not Recognize If:
  ◆ Held for public exhibition, education or research
  ◆ Protected, unencumbered, preserved
...Contributed Collection Items

♦ Do Not Recognize If:
  ♦ Proceeds from sales used to acquire more collection items (policy exists)
  ♦ Cash flows related to items create increases and decreases in net assets
...Contributed Collection Items

✦ Retroactive capitalization encouraged, prospective recognition allowed
SFAS 117: Financial Statements of Not-for-Profit Organizations

General Purpose Financial Statements:

Required Statements Include:

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows
SFAS 117: Financial Statements of Not-for-Profit Organizations

- General Reporting Goals
- Specific Reporting Goals
- How to Report, Not When or How to Measure
- Basic Information
- Additional Statements
Reporting and Disclosure Requirements

- Unconditional Promise Receivables
- Conditional Promises
- Contributed Services
- Collections
Exhibit 1

Not-For-Profit Organization
Statement of Financial Position
June 30, 19X1 and 19X0...
**Assets:**

- $ Cash and cash equivalents
- $ Accounts & interest receivable
- $ Inventories & prepaid expenses
- $ Contributions receivable
- $ Short-term investments
- $ Assets restricted to investment in land, buildings, & equipment
- $ Land, buildings, & equipment
- $ Long-term investments

**Total assets**
Liabilities and Net Assets:

- Accounts payable
- Refundable advance
- Grants payable
- Notes payable
- Annuity obligations
- Long-term debt

Total Liabilities
Net assets:

- Unrestricted
- Temporarily restricted
- Permanently restricted

Total net assets

Total liabilities and net assets
Exhibit 2, Format B

Not-for-Profit Organization
Statement of Activities
Year Ended June 30, 19X1
<table>
<thead>
<tr>
<th>Revenues, gains &amp; other support:</th>
<th>Unrestricted</th>
<th>Temp. Restricted</th>
<th>Perm. Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income on long-term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investment income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized &amp; realized gains on long-term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Revenues, gains & other support:

<table>
<thead>
<tr>
<th>Category</th>
<th>Unrestricted</th>
<th>Temp. Restricted</th>
<th>Perm. Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of programs restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of equipment acquisition restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expiration of time restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Expenses & Losses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temp. Restricted</th>
<th>Perm. Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program B</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program C</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mgmt &amp; General</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Raising</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Expenses & Losses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temp. Restricted</th>
<th>Perm. Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial loss on annuity obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenses &amp; losses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 4

Functional and Natural Classification
### Expenses incurred were for:

<table>
<thead>
<tr>
<th>Expenses Incurred</th>
<th>Total</th>
<th>Program A</th>
<th>Program B</th>
<th>Program C</th>
<th>Mgmt &amp; General</th>
<th>Fund Raising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages, &amp; benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants to other organizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies &amp; travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services &amp; pro. fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office &amp; Occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SFAS No. 93

Recognition of Depreciation by Not-for-Profit Organizations
SFAS 124
Accounting for Certain Investments Held by Not-for-Profit Organizations

A. All categories carried at fair value.
   1. Current asset exchange price
B. Realized and Unrealized Gains / Losses

1. Gains
2. Losses
3. Net Appreciation Value
   a. Income / gains
   b. Losses

...SFAS 124...
SFAS 124

D. Related Investment Standards

1. SFAS 105 Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentration of Credit Risk
FASB 136

Accounting for Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.
FASB 136 Cont...

- Variance power exists: recognize contribution income
- Variance power does not exist: recognize liability