Solution to Chapter 19
E19-1,2,5,8, P19-10,25

E19-1  Multiple-Choice Questions on Colleges and Universities [AICPA Adapted]

1. a
2. c
3. a
4. c  $7,500,000 assets - $4,500,000 liabilities
5. d  $550,000 unrestricted + $330,000 of restricted
6. b  $200,000 for fair value of donated services. Travel is an additional cost of the services provided by the university.

<table>
<thead>
<tr>
<th>Expenses</th>
<th>218,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution Revenue</td>
<td>200,000</td>
</tr>
<tr>
<td>Cash</td>
<td>18,000</td>
</tr>
</tbody>
</table>

E19-2  Multiple-Choice Questions on Hospital Accounting [AICPA Adapted]

1. a  Net patient service revenue represents total billings less contractual adjustments.
2. c
3. d
4. a
5. d
6. a
7. d
8. c
9. d
10. a
11. b
12. d
E19-5  Multiple-Choice Questions on Voluntary Health and Welfare Organization Accounting [AICPA Adapted]

1. c

2. b  $800,000 \times .50 = \$400,000
   $400,000 \times .10 = (40,000)
   \$360,000

3. d

4. c

5. b  $275,000 = $240,000 + $35,000

6. d

7. c

8. a

9. c

E19-8  Multiple-Choice Questions on Other Nonprofit Organizations [AICPA Adapted]

1. a

2. a

3. b  Note: Gains on endowment investments are considered principal unless otherwise stated.

4. d

5. c  Note: Annual report has program and service intent.

6. d

7. c  Note: Board designations are internal; therefore, not restricted.

8. d  $830,000 = $680,000 + $90,000 + $60,000
   Note: Nonexpendable gifts for loan purposes are classified as temporarily restricted ($30,000) and permanently restricted ($25,000).

9. a  Note: All other expenses are for supporting services.

10. c
P19-10 Financial Statements for a Private, Not-for-Profit College

a. Friendly College
Statement of Financial Position
June 30, 20X3 and 20X2

<table>
<thead>
<tr>
<th>Item</th>
<th>20X3</th>
<th>20X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$824,900</td>
<td>$217,000</td>
</tr>
<tr>
<td>Accounts receivable (student tuition and fees, less allowance for uncollectibles of $11,000 and $9,000, respectively)</td>
<td>137,000</td>
<td>341,000</td>
</tr>
<tr>
<td>State appropriations receivable</td>
<td>50,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Investments</td>
<td>89,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,100,900</td>
<td>$693,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$59,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>158,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>716,000</td>
<td>515,000</td>
</tr>
<tr>
<td>Temporarily restricted by donors</td>
<td>117,900</td>
<td>67,000</td>
</tr>
<tr>
<td>Permanently restricted by donors</td>
<td>50,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$1,100,900</td>
<td>$693,000</td>
</tr>
</tbody>
</table>

b. Friendly College
Statement of Activities
For Year Ended June 30, 20X3

<table>
<thead>
<tr>
<th>Revenues, gains, and other support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$1,900,000</td>
<td></td>
<td></td>
<td>$1,900,000</td>
</tr>
<tr>
<td>State appropriation</td>
<td>50,000</td>
<td></td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>Interest income</td>
<td>6,000</td>
<td>$7,000</td>
<td></td>
<td>13,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>25,000</td>
<td>50,000</td>
<td>50,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>5,000</td>
<td></td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,900</td>
<td></td>
<td></td>
<td>1,900</td>
</tr>
<tr>
<td>Net assets released from temporary restriction*</td>
<td>13,000</td>
<td>(13,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue, gains, and other support</td>
<td>$1,994,000</td>
<td>$50,900</td>
<td>$50,000</td>
<td>$2,094,900</td>
</tr>
</tbody>
</table>

Expenses and other deductions                   | 1,793,000    |                        |                        | 1,793,000 |

Change in net assets                            | $201,000     | $50,900                | $50,000                | $301,900 |

Net assets at beginning of Year                 | 515,000      | 67,000                 |                        | 582,000 |

Net assets at end of year                       | $716,000     | $117,900               | $50,000                | $883,900 |

*The transfers of temporarily restricted resources are reported as Net Assets Released from Temporary Restriction and included in unrestricted expenses.
Proof of selected items:

1. **Cash =**
   - Beginning balance of $217,000 plus receipts of:
     - $100,000 from alumnus
     - 1,686,000 from student tuition and fees
     - 158,000 from fee revenue deferred to next year
     - 349,000 from outstanding accounts receivable
     - 6,000 from interest received
     - 75,000 from prior year’s state appropriation
     - 25,000 from unrestricted gift from alumni
     - 26,000 from sale of investments
     - 1,900 from investment interest income
     - 7,000 from interest on savings certificates
   - Less payments of:
     - $50,000 to acquire savings certificates
     - 1,718,000 to operating expenses ($1,777,000 - $59,000 unpaid)
     - 13,000 to items for restricted purposes
     - 45,000 to prior year’s accounts payable
   - = Ending balance of $824,900

2. **Accounts receivable =**
   - Beginning balance of $350,000 gross plus $1,834,000 for net increase in tuition ($1,900,000 - $66,000)
   - Less collections of:
     - $1,686,000 collection of current year’s tuition and fees
     - 349,000 collection of prior year’s accounts receivable
     - 1,000 write-off of remainder of prior year’s receivable
   - = Ending balance of $148,000 gross (less estimated uncollectibles of $11,000)

3. **Investments =**
   - Beginning balance of $60,000 plus $50,000 acquire certificate of deposit
   - Less decreases of:
     - $21,000 sale of restricted investments
   - = Ending balance of $89,000

4. **Expenses and other deductions =**
   - $1,777,000 unrestricted operating expenses recorded
   - + 3,000 year-end accrual for increase in estimated uncollectibles
   - + 13,000 transferred from temporarily restricted and spent in unrestricted
   - $1,793,000

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**P19-25 Statement of Activities for a Voluntary Health and Welfare Organization**

United Ways
Statement of Activities
For the Year Ended December 31, 20X3

Revenues, gains, and other

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
</table>
support:

Contributions $ 500,000 $ 950,000 $ 1,450,000
Investment income 200,000 $ 600,000 800,000
Donated services 15,000
Net assets released from restriction:
  Program use restrictions 150,000 (150,000)
  Equipment acquisitions 100,000 (100,000)

Total revenues, gains, and
Other support $ 765,000 $ 900,000 $ 600,000 $ 2,265,000

Program and supporting services expenses:

Research $ 250,000 $ 250,000
Public health education 100,000 100,000
Community services 150,000 150,000
Management and general 140,000 140,000
Fund raising 115,000

Total expenses $ 755,000 $ -0- $ -0- $ 755,000

Change in net assets $ 10,000 $ 900,000 $ 600,000 $ 1,510,000

Net assets, beginning of the year 3,000,000 5,000,000 6,000,000 14,000,000

Net assets, end of the year $3,010,000 $5,900,000 $6,600,000 $15,510,000

Notes:
1. The donated services of $15,000 are reported as an increase in unrestricted net assets and included as part of the $140,000 of expenses for management and general.
2. The uncollectible pledges of $50,000 are reported as a deduction from temporarily restricted contributions received in 20X3.
3. The $950,000 of pledges received in 20X3 is reported as temporarily restricted because of a time restriction—the pledges will not be received until 20X4.
4. The governing board’s designation of $225,000 for computer acquisitions is not reported on the Statement of Activities. The resources that were designated were reported as unrestricted, and the governing board’s designation of the resources does not change their classification.
5. FASB 117 permits temporarily restricted net assets that are spent in the same year in which the assets are received to be reported as unrestricted. In the problem, this means that the $150,000 of investment income that was earned in 20X3 and used for research in 20X3 could have been reported directly in unrestricted net assets, avoiding the need to report $150,000 of net assets released from restriction.