

# Toward Business Literacy: Accounting Outlines



## Not for Profit Accounting

- Income tax exempt; providers expect no return and no ownership
- 501c(3) are religious, charitable, scientific or literary concerns that have no political agenda to assert
- Public charities receive greater than one third of support by contributions; contributions → fair value at receipt date; full accrual
- Assets are unrestricted or permanently or temporarily restricted

## Colleges and Universities

- Business type
- Government and business (such as community colleges having an independent board, taxing power, budgets and administration)
- Government (like UT and A&M systems where the Governor appoints the board with oversight and includes universities as component unit in CAFR)
- Revenues come from: tuition and fees, state appropriations and grants, auxiliaries, endowment and alumni
- **Foundations** involve contributions usually restricted for areas such as research or athletics
- Debt can only be issued if revenue will be produced (revenue bonds)
- Plant is recorded and depreciated
- Auxiliary enterprises are self-supporting
- **Scholarships** are reductions in revenues
- **Split-interest agreements** include:
  - Charitable lead trust: % to NFP (Not-for-Profit) for a term; At the end → beneficiary
  - Perpetual trust: income to NFP in perpetuity
  - Charitable remainder trust: \$ or % to beneficiary; end → institution
  - Charitable gift annuity: same as remainder, but no agreement
  - Pooled income fund: all income to beneficiary; end of life → NFP

## Hospitals and Health Care

- Government owned is a proprietary enterprise
- Private and NFP must provide a performance indicator
- Revenues come from Medicare, Medicaid, commercial insurance, NFP insurance, state assistance, and patient fees
- Expenses are natural (salaries and supplies), functional (care), and plant

## Auditing NFP

- Internal controls, testing of selected transactions, and fairness of statements