

## Case Study—The Science Road Show (SRS)

The Science Road Show (SRS) is a not-for-profit organization that puts on traveling science demonstrations throughout the state. SRS operates on a September 1–August 31 for the fiscal year of 2021. The organization began the year with the following account balances:

Cash	\$40,000
Grants Receivable	100,000
Inventory	4,000
Net Assets without Donor Restrictions	169,000
Notes Payable	50,000
Pledges Receivable, Net	10,000
PP&E, Net	75,000
Prepaid Rent	10,000
Wages Payable	20,000

SRS recorded the following financial events during the 2021 fiscal year:

1. On September 1, SRS took out a \$200,000 bank loan with an annual interest rate of 4.5 percent. SRS's prior outstanding loan has an annual interest rate of 6.0 percent. Annual interest payments on both loans are due August 31.
2. Halfway through the fiscal year, SRS used the new loan proceeds to purchase a new set that is expected to last 10 years and have no salvage value. The depreciation of this asset is expected to be the same over the 10 years. SRS also recorded \$5,000 in depreciation on its existing equipment, per its policy of recording depreciation annually.
3. On the first day of the fiscal year, SRS held a membership drive. Each 2-year membership is priced at \$1,000 and entitles the member to benefits for 2 years.

SRS sold and received payment for 50 memberships.

4. SRS sold \$375,000 in tickets. All tickets were paid for in cash.
5. SRS received in this fiscal year a \$100,000 check for a foundation grant that was awarded in the previous fiscal year. During the year, SRS was awarded another \$50,000 foundation grant. Payment on the second grant is expected in October 2021.
6. During the fiscal year, SRS received \$60,000 in new donor pledges and collected 75 percent of those pledges. SRS also collected 60 percent of the outstanding pledges from the previous fiscal year. Based on past experience, SRS expects that none of the remaining outstanding pledges from the prior fiscal year will be collected.
7. Throughout the year, SRS ordered, paid for, and used \$15,000 of program booklets. In August, SRS ordered (on account) \$5,000 of programs for the following fiscal year.
8. SRS's employees earned \$25,000 per month. Employees are paid with a 1-month lag. SRS also fully paid its prior-year obligations to employees.
9. Rent payments on SRS's operating leased vehicles and equipment are due 1 month in advance. Currently rent lease payments totaled \$10,000 per month. Next year, they will rise to \$12,000 per month.
10. On August 31, in addition to making annual interest payments SRS repaid the loan outstanding prior to FY 2021 in full. A \$25,000 principal repayment on the loan taken out at the beginning of FY 2021 is due on September 1, 2021.

Prepare an activity statement (operating statement), a comparative statement of financial position (balance sheet), and a statement of cash flows. What do you learn from these statements, and what questions do they raise?