

## Instructions for Initial DPSA Pro Forma Income Statement

### Educational Revenues:

- Gross Tuition (Line 2) is tuition collected from students prior to refunds, cancellations, expulsions, etc. and does not include income from other sources.
- Total Educational Revenues (Line 5) equals the Gross Tuition (Line 2) minus the Tuition and Fees Refunds (Line 3) and plus Other Fees (including Student, Textbook, and Student Material Fees) (Line 4). The spreadsheet contains an embedded formula for this cell.

### Educational Expenses:

Lines 7 through 16 are direct expenses incurred by the institution to provide student training. Generally, a line item should not be \$0.00; therefore, if you report \$0.00 you must provide an explanation.

- Instructional Salaries (Line 7) is the amount the institution pays for instructor(s) salary/wages and benefits.
- Instructional Expense (Line 8) is the amount paid for supplies and materials. This line item denotes items that will be replenished on a regular basis.
- Student Recruitment (Line 9) is the amount paid for advertising. This includes items such as radio/tv ads, printed mailings, and travel for agents.
- Depreciation of Equipment (Line 10) is a way to allocate the cost of equipment over its useful life. Institutions should follow guidelines published by the Internal Revenue Service (IRS) for appropriate useful lifespans for the equipment. (Example: If an institution purchased \$10,000 of training equipment with an expected useful life of 5 years; the equipment's value would be decreased by 1/5, or \$2,000 each year. Thus, the institution would enter \$2,000 in the cell.)
- Occupancy Expense (Line 11) is the amount paid for the rent or mortgage, utilities, taxes, insurance, and management fees. It is rare that an institution will have \$0.00 Occupancy Expense.
- Administrative Salaries (Line 12) is the amount paid for administrator's salary/wages and benefits. Examples include the registrar, treasurer, or librarian.
- Officer Salaries (Line 13) is the amount paid for the officer's or owner's salary/wages and benefits. For example, a Chief Operating Officer's salary/wages and benefits would be listed on this line.
- Administrative Expenses (Line 14) are expenses for copying, printing, postage, travel, etc.
- Student Personnel Services (Line 15) is the amount incurred to provide services outlined in the catalog. (Example: Job Fairs, tutoring, resume services, etc.)
- Support Staff Salaries (Line 16) is the amount paid for the salary/wages, and benefits for security officers, custodian, receptionists, etc.

- Total Educational Expenses (Line 17) equals the total of Lines 7 through 16. The spreadsheet contains an embedded formula for this cell.
- Educational Income/(Loss) (Line 18) equals the Total Educational Revenues (Line 5) minus Total Educational Expenses (Line 17). The spreadsheet contains an embedded formula for this cell.

**Other Income and Expense (Non-Training Income):**

- Other Income (Line 23) is income from other sources not included in educational income. An explanation should be provided by the institution on a separate sheet of paper. (Example: A massage therapy institution has a clinic/spa in which patrons pay for students to perform massages. This spa is not the primary business purpose of the institution but provides an additional revenue stream.)
- Extraordinary & Unusual Income (Net) (Line 28) is a rare, one- time, non-recurring, event. For example, an institution's facilities suffer damage from an earthquake. An earthquake would be considered extraordinary in Tennessee but would not qualify as extraordinary in California due to the frequency with which they occur there. In this example, the business would likely have income (insurance settlement) and expenses (repair and replacement costs). DPSA anticipates that this will be \$0.00 for purposes of this Pro Forma Income Statement.
- Other Expenses (Deduction) (Line 29) are expenses incurred by the institution as a part of the secondary business. It may include additional utilities, rent, salaries, etc. (Example: The massage therapy institution hires a coordinator to handle scheduling for the students performing massages in the spa. In this example the salary/wages, benefits, etc. related to the spa coordinator would be expenses related to the secondary business purpose.)
- Total Other Income & Expense (Line 31) is equal to the net value of lines 24 through 30. The spreadsheet contains an embedded formula for this cell.

**Earnings Before Income Taxes:**

The Earnings Before Income Taxes (Line 32) is equal to the Educational Revenue and Total Other Income (Line 5 and Line 24) minus the Total Educational Expenses and Total Other Expense (Line 17 and Line 30). The spreadsheet contains an embedded formula for this cell.

**Estimated Federal and State Income Taxes (Deduction):**

If you have questions about this field (Line 33), please consult your tax preparer or accountant.

**Net Income/(Loss)**

The Net Income/(Loss) (Line 34) is equal to the Earnings Before Income Taxes (Line 32) minus the Federal and State Income Taxes (Line 33). The spreadsheet contains an embedded formula for this cell.

## Instructions for Initial DPSA Balance Sheet

### Current Assets:

Current Assets are the most liquid assets a business holds. They can be liquidated within 1 (one) year.

- Cash (Restricted) (Line 3) is the amount held by the institution for a specific purpose designated by the donor. (Example: A donor gives \$1,000 to cover improvements to the institution's library. This money is held as Cash (Restricted) until the institution makes the library upgrades.)
- Total Current Assets (Line 10) are the total of Line 2 through Line 9. The spreadsheet contains an embedded formula for this cell.

### Fixed Assets:

Assets that are purchased for long-term use and are not purchased for the purpose of being converted into cash. Examples of fixed assets are buildings, equipment, furniture, fixtures and library holdings.

- Accumulated Depreciation of Buildings (Line 14), Furniture and Equipment (Line 15), Library Holdings (Line 19) is a way to account for the cumulative allocation of costs over the useful life. For example, if the institution purchased equipment for \$10,000 with a 5 year useful life 3 years ago, the accumulated depreciation is \$6,000 ( $10,000/5 \times 3$ ).
- Total Fixed Assets (Line 24) equals the net value of the buildings, equipment, library holdings etc. The spreadsheet contains an embedded formula for this cell.

### Other Assets:

Other Assets are items owned by the business that are not clearly defined as Current Assets or Fixed Assets.

- Goodwill (Line 29) is a long-term, intangible asset, such as name recognition. It is a non-physical resource that has a value to the institution. It represents the difference between what is paid for a company versus its current value and is looked at every year.
- Total Other Assets (Line 31) equals the net value of Line 27 through Line 30. The spreadsheet contains an embedded formula for this cell.

### Total Assets:

Total Assets equals the sum of Lines 10, 24, and 31. The spreadsheet contains an embedded formula for this cell.

### Current Liabilities:

Current Liabilities are the debts of the business that must be paid within 1 year.

- Current Portion of Notes or Bonds Payable (Line 39) and Current Portion of Mortgage (Line 40) are the amounts due for each item over the next 12 months. This amount is deducted from the total outstanding debt or mortgage owed by the institution.
- Unearned Tuition (Line 43) is the amount held by the institution for instruction not yet

delivered. Total Current Liabilities is the sum of Lines 35 through 45. The spreadsheet contains an embedded formula for this cell.

### **Long-Term Liabilities:**

Long-Term Liabilities records the debt owed by the institution that must be paid in a time period longer than 1 year.

- Note or Bonds Payable (Line 49) and Mortgage Payable (Line 50) are the remaining portion of the debt after current portions have been deducted.
- Total Long-Term Liabilities (Line 52) is the sum of Lines 49 through 51.
- Total Liabilities (Line 53) is the sum of Total Current Liabilities (Line 48) and Total Long-Term Liabilities (Line 52).

### **Stockholder's/Owner's Equity:**

- Total Stockholders/Owner's Equity (Line 64) is the difference between the Total Assets (Line 27) and Total Liabilities (Line 44).
- Retained Earnings, Beginning Balance (Line 56) is the difference between the Total Assets (Line 27) and Total Liabilities (Line 44) at the beginning of the fiscal year, or the end of the prior years retained earnings.
- Net Income/Loss (Line 57) will be transferred from the Income Statement (Line 34).
- Dividends/Distributions (Line 58) is the amount paid to shareholders who own shares of stock in a corporation.
- Other Retained Earnings (Line 59) is a way to account for additional investments made by the owner(s) during the fiscal year.
- Retained Earnings, Ending Balance (Line 60) equals the net value of Line 55 through Line 59. Total Stockholder's/ Owner's Equity (Line 64) is the sum of Lines 60 through 63. The spreadsheet contains an embedded formula for this cell.

### **Total Liabilities and Stockholder's Equity:**

Total Liabilities and Stockholder's/Owner's Equity (Line 66) is the sum of Lines 53 and 64. The spreadsheet contains an embedded formula for this cell for this cell.