



# Corporate and Tax Combined Terminology/Cheat Sheets

# Common Tax & IRS Terms Cheat Sheet

## Why This Matters

Whether you work with nonprofits, small businesses, or manage personal finances, understanding tax terminology helps you make smarter financial decisions and avoid costly mistakes.

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## Key Tax Terms

### Gross Income

The total amount of money earned **before** any deductions or taxes are taken out.

**Example:** A freelancer earns \$50,000 in projects. That \$50,000 is gross income.

### Net Income (Take-Home Pay)

The amount of money left **after** taxes, deductions, and expenses are subtracted from gross income.

**Example:** From the \$50,000 gross income, after \$12,000 in taxes, the freelancer nets \$38,000.

### Deduction

An expense you can subtract from your income to reduce the amount of tax you owe.

**Types:** - **Standard Deduction:** A fixed amount everyone can deduct (2024: \$14,600 for single filers) - **Itemized Deduction:** Specific expenses you list (mortgage interest, charitable donations, medical expenses)

**Example:** You donated \$3,000 to charity. You can deduct this, lowering your taxable income.

### Taxable Income

The amount of income that taxes are calculated on **after** deductions.

**Formula:** Gross Income - Deductions = Taxable Income

### Tax Bracket

The range of income that is taxed at a specific rate. The US uses a **progressive tax system** (higher income = higher rate).

**2024 Example (Single Filers):** - 10% on income up to \$11,600 - 12% on income \$11,601–\$47,150 - 22% on income \$47,151–\$100,525

**Important:** Moving to a higher bracket doesn't mean ALL income is taxed at the new rate—only the portion in that bracket.

### **Tax Liability**

The total amount of tax you owe.

**Example:** Your taxable income is \$60,000. After calculating based on tax brackets, your tax liability is \$9,500.

### **W-2 Form**

A document employers send showing wages paid and taxes withheld (for employees).

**Issued by:** Employer

**When:** January 31st annually

**What it shows:** Gross wages, federal/state tax withheld, Social Security tax, Medicare tax

### **1099 Form**

A document showing income received that **wasn't** from a traditional employer (freelance work, gig economy, independent contractor).

**Issued by:** The person/business that paid you

**When:** January 31st annually

**Common types:** - **1099-NEC:** Nonemployee compensation (freelancing) - **1099-MISC:** Miscellaneous income - **1099-INT:** Interest income

### **Withholding**

Money taken out of your paycheck **during the year** for taxes.

**Example:** Your employer takes \$300 from each paycheck for federal taxes. This is withholding.

**Why it matters:** Prevents a huge tax bill on April 15th.

### **Refund**

Money the government gives back because you **overpaid** taxes during the year.

**Example:** Your withholding was \$5,000 but you only owed \$4,200 in taxes. You get a \$800 refund.

## **Extensions**

Extra time to file your taxes (but NOT to pay).

**Common reasons:** Complex returns, missing documents, life circumstances

**File Form:** 4868 (Federal)

**Deadline:** October 15th (6 months from April 15th)

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## **Nonprofit-Specific Tax Terms**

### **501(c)(3) Status**

Special nonprofit tax status that makes donations tax-deductible for donors and the organization pays no income tax.

**Requirements:** Organized for charitable, educational, religious, or scientific purpose

### **Tax-Exempt**

An organization that doesn't pay federal income tax because it qualifies under IRS rules.

**Example:** Most nonprofits are tax-exempt; donors' contributions are often tax-deductible.

### **Unrelated Business Income (UBI)**

Income a nonprofit earns from activities **not related** to its charitable mission (taxable).

**Example:** A nonprofit theater company sells branded merchandise. That revenue may be taxable as UBI.

### **Form 990**

Annual tax return that nonprofits file with the IRS (instead of regular 1040s).

**What it shows:** Revenue, expenses, executive salaries, programs, assets

**Public record:** Available on GuideStar and IRS databases

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## **Individual Tax Filing Terms**

### **Filing Status**

Your tax situation category (determines tax rates and deductions available).

**Options:** - Single - Married Filing Jointly - Married Filing Separately - Head of Household - Qualifying Widow/Widower

### **Dependent**

A person (usually family member) you provide financial support for; lowers your tax burden.

**Requirements:** Lives with you, relationship/citizenship, income limits, US citizen/resident

**Tax benefit:** \$2,000 Child Tax Credit per dependent (2024)

### **Earned Income Tax Credit (EITC)**

A refundable tax credit for low- to moderate-income workers (you can get money back even if you owe \$0).

**Example:** Low-income worker qualifies for \$2,500 EITC. If they owe \$1,000, they receive \$1,500 refund.

### **Estimated Tax Payments**

Quarterly tax payments self-employed or gig workers make throughout the year.

**Due dates:** April 15, June 15, September 15, January 15

**Who needs it:** Freelancers, business owners, investment income earners

### **Amended Return (Form 1040-X)**

Corrected tax return filed if you made a mistake on your original return.

**Time limit:** Generally 3 years from original filing date

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### **Key IRS Resources**

- **IRS.gov:** Official tax information
  - **Publication 17:** General tax guide (free download)
  - **VITA Program:** Free tax help for low-income filers
  - **IRS Hotline:** 1-800-829-1040
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### **Quick Reference: Common Abbreviations**

- **AGI:** Adjusted Gross Income
- **AMT:** Alternative Minimum Tax
- **EIN:** Employer Identification Number
- **FEIN:** Federal Employer Identification Number

- **IRC:** Internal Revenue Code
- **IRS:** Internal Revenue Service
- **TCJA:** Tax Cuts and Jobs Act

# Salary vs. Stipend vs. Honorarium Sheet

## Quick Definition Guide

Type	What It Is	When Used	Taxes	Form
<b>Salary</b>	Regular payment for ongoing employment	Full-time/part-time staff	Yes (W-2)	W-2
<b>Stipend</b>	Fixed amount for service/reimbursement	Service for defined period	Possibly (see below)	Varies
<b>Honorarium</b>	Gift payment for expertise/service	Speaking, performing, consulting	Yes (1099)	1099

## SALARY

### Definition

Regular, ongoing payment for employment; typically the largest compensation item in nonprofit budgets.

### Characteristics

- **Frequency:** Weekly, bi-weekly, or monthly
- **Amount:** Fixed per pay period
- **Duration:** Ongoing (until employment ends)
- **Employment status:** Employee
- **Taxes:** Full payroll taxes withheld (Social Security, Medicare, income tax)
- **Benefits:** Typically eligible (health insurance, retirement, paid time off)
- **Form:** W-2 issued annually

### Examples

- “Executive Director: \$65,000/year”
- “Program Manager: \$18/hour, 40 hours/week”
- “Administrative Assistant: \$2,500/month”

### Tax Implications

- **Employer withholds:** Federal income tax, Social Security (6.2%), Medicare (1.45%)
- **Employer pays:** Matching Social Security and Medicare (7.65% total)

- **Employee receives:** W-2 showing gross and taxes withheld
- **Deductible to nonprofit:** Full amount + employer taxes

### Nonprofit Reporting

- Shown in Form 990 (tax return)
- Executive salaries listed if over \$50,000
- Included in program expense vs. administrative expense ratios

## STIPEND

### Definition

Fixed amount of money given for a specific purpose, service, or time period (not regular salary).

### Characteristics

- **Amount:** Fixed (not hourly)
- **Duration:** Defined period (semester, project, event, summer)
- **Purpose:** Specific (training, student support, temporary service)
- **Employment status:** Variable (sometimes employee, sometimes contractor)
- **Taxes:** Depends on circumstances (see below)
- **Form:** W-2, 1099, or no form (depending on type)

### Common Nonprofit Uses

**Student Stipends** - Purpose: Support student participation or research - Example: "\$2,000 summer research stipend" - Recipient: Student (not necessarily employee) - Tax status: Usually taxable (1099-MISC or W-2)

**Training/Professional Development Stipends** - Purpose: Support employee learning - Example: "Professional conference stipend: \$500" - Recipient: Employee - Tax status: Generally taxable as wages

**Service Stipends** - Purpose: Compensate for specific work/service - Example: "Board member meeting stipend: \$50/meeting" - Recipient: Board member or volunteer - Tax status: Usually taxable (1099-NEC)

**Living Stipends** - Purpose: Support basic needs while doing service - Example: "Summer volunteer stipend: \$200/week" - Recipient: Volunteer - Tax status: Generally taxable unless fellowship/scholarship

**Educational Stipends** - Purpose: Support student costs - Example: "Tuition assistance: \$3,000/semester" - Recipient: Student - Tax status: Non-taxable if meets educational requirements (IRC §127)

### **Tax Implications (Varies by Type)**

**Taxable stipends** (most common): - Employer issues 1099 or adds to W-2  
- Recipient pays income taxes - May be subject to Social Security/Medicare -  
Deductible to nonprofit

**Non-taxable stipends** (rare, specific conditions): - Qualified educational assistance - Some fellowship/scholarship amounts - Must meet IRC requirements  
- Usually requires filing Form 8949

### **When to Use Instead of Salary**

- Temporary/project-based work
- Specific purpose or time-limited service
- Supporting participation (student, volunteer)
- Professional development
- Event or meeting-based compensation
- Research or academic support

### **Examples in Nonprofits**

- “Teaching assistant stipend: \$1,500/semester”
  - “Volunteer appreciation stipend: \$100”
  - “Leadership training stipend: \$500 per participant”
  - “Research stipend: \$2,000 for summer study”
  - “Conference attendance stipend: full registration fee”
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## **HONORARIUM**

### **Definition**

A gift or token payment for expertise, service, or appearance; typically for speaking, performing, consulting, or board service.

### **Characteristics**

- **Amount:** Often nominal or below market rate (acknowledges contribution without full compensation)
- **Purpose:** Recognition of expertise or service
- **Frequency:** Usually one-time or occasional
- **Employment status:** NOT an employee
- **Taxes:** Almost always taxable (1099-NEC issued)
- **Form:** 1099-NEC (Nonemployee Compensation)
- **No benefits:** Not eligible for employment benefits

## Common Nonprofit Uses

**Speaking Fees** - Speaker at conference, event, or training - Example: “\$300 honorarium for keynote address” - Recipient: Subject matter expert, community leader - Tax status: Taxable (1099-NEC over \$600)

**Board Member Compensation** - Payment for board service (many nonprofits don’t do this) - Example: “Board member honorarium: \$100/meeting” - Recipient: Board member - Tax status: Taxable (1099-NEC if over \$600)

**Consultant Fees** - Short-term expertise (strategic planning, program evaluation, fundraising advice) - Example: “\$2,000 honorarium for program evaluation” - Recipient: Consultant - Tax status: Taxable (1099-NEC)

**Artist/Performer Fees** - Artist performing at event - Example: “\$500 honorarium for musician at fundraiser” - Recipient: Artist/performer - Tax status: Taxable (1099-NEC)

**Expert Panel Members** - Appearing on panel to share expertise - Example: “\$150 honorarium for panel participation” - Recipient: Expert - Tax status: Taxable

## Tax Implications

- **Threshold for reporting:** \$600+ received in calendar year → 1099-NEC issued
- **Recipient responsibility:** Must report on personal tax return
- **Self-employment tax:** May apply (subject to SE tax if \$400+)
- **No withholding:** Unlike salary, nonprofit doesn’t withhold taxes
- **Deductible to nonprofit:** Yes, as independent contractor/consulting expense

## Reporting Requirements

- Nonprofit tracks on 1098-NEC forms
- Must be reported to IRS if \$600+
- Should be included in budget under appropriate category (consulting, professional services, etc.)

## When to Use Instead of Salary

- One-time or occasional service
- Non-employee providing expertise
- Recognizing contribution (often at reduced rate)
- External professional service
- Board member service (if compensating board)
- Volunteer recognition

### Examples in Nonprofits

- “Keynote speaker honorarium: \$250”
  - “Program evaluation consultant: \$1,500 honorarium”
  - “Board chair honorarium: \$50/meeting”
  - “Community expert panel member: \$100 honorarium”
  - “Artist for community event: \$300 honorarium”
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### Decision Framework: Which Should You Use?

#### Use **SALARY** if:

- Person is employee (ongoing work)
- Regular, recurring payments
- Work is core to nonprofit operations
- Providing benefits (health insurance, retirement)
- Significant time commitment
- Want standard employment relationship

**Example:** “Hire Education Director at \$55,000 salary”

#### Use **STIPEND** if:

- Specific project or time-limited work
- Fixed amount for defined purpose
- Supporting participation (student, volunteer, attendee)
- Professional development or training support
- Not ongoing employment
- Temporary position or seasonal work

**Example:** “Provide \$2,000 summer research stipend to 5 participants”

#### Use **HONORARIUM** if:

- One-time or occasional service
- Person is not employee
- Recognizing expertise or contribution
- External professional or consultant
- Speaking, performing, or consulting
- Below-market compensation
- No ongoing relationship

**Example:** “Pay \$500 honorarium to keynote speaker”

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## Common Scenarios

### Scenario 1: Regular Volunteer

**Situation:** College student volunteers 10 hours/week all year at nonprofit

**Options:** - SALARY: Not appropriate (volunteers don't get paid) - STIPEND: Could provide "volunteer appreciation stipend" of \$500-\$1,000 for year (taxable)  
- HONORARIUM: Not appropriate (not specialized service)

**Best choice:** STIPEND (if you choose to compensate)

### Scenario 2: Executive Director

**Situation:** Full-time leader managing nonprofit

**Options:** - SALARY: Yes, appropriate - STIPEND: No (ongoing role) - HONORARIUM: No (employee)

**Best choice:** SALARY

### Scenario 3: Summer Research Program

**Situation:** College students work on research projects June-August

**Options:** - SALARY: Possible (if hiring as employees) - STIPEND: Ideal (time-limited, specific purpose) - HONORARIUM: No (not specialist expertise)

**Best choice:** STIPEND

### Scenario 4: Guest Speaker at Conference

**Situation:** Expert comes to speak about topic for 1 hour

**Options:** - SALARY: No (not employee) - STIPEND: No (not time/purpose-limited support) - HONORARIUM: Yes, appropriate

**Best choice:** HONORARIUM

### Scenario 5: Evaluator for Program

**Situation:** Consultant hired to evaluate program effectiveness (3-month project)

**Options:** - SALARY: Could work (if hiring as employee for project) - STIPEND: Possible (fixed fee for defined project) - HONORARIUM: Possible (independent consultant)

**Best choice:** HONORARIUM or STIPEND

## Tax Reporting Quick Reference

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Payment Type	Amount	Tax Form	Employer Withhold?	Self-Employment Tax?
Salary	\$0-any	W-2	Yes	No (already withheld)
Stipend	\$0-any	Varies (W-2/1099)	Usually yes	Depends
Honorarium	Under \$600	None	No	Maybe (\$400+ threshold)
Honorarium	\$600+	1099-NEC	No	Yes

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## Nonprofit Best Practices

- Define role clearly (employee vs. contractor)
- Use salary for ongoing staff positions
- Use stipend for student/volunteer support or project-based work
- Use honorarium for external expertise/speakers
- Document decision rationale
- Get tax advice when unsure
- Budget appropriately for taxes/payroll
- Communicate clearly with recipient about payment type
- Maintain records of all payments
- Report correctly on Form 990
- Ensure compliance with IRS rules
- Review annually—make sure categorization is correct

# Financial Reporting Terms Cheat Sheet

## What is Financial Reporting?

Financial reporting is the process of communicating an organization's financial condition to stakeholders (owners, lenders, donors, regulators). It shows what money came in, where it went, and what assets/liabilities exist.

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## The Big Three Financial Statements

### 1. Income Statement (Profit & Loss Statement)

**Shows:** Did we make or lose money during this period?

**Time period:** Monthly, quarterly, or annual

**Formula:** Revenue - Expenses = Net Income (or Loss)

Term	Definition	Example
<b>Revenue</b>	Money coming in from all sources	Donations, grants, program fees
<b>Expenses</b>	Money going out to operate	Salaries, supplies, rent
<b>Net Income</b>	Profit (Revenue > Expenses)	\$50,000 revenue - \$45,000 expenses = \$5,000 profit
<b>Net Loss</b>	Deficit (Expenses > Revenue)	\$30,000 revenue - \$35,000 expenses = -\$5,000 loss
<b>Operating Income</b>	Profit from main business activities (before interest/taxes)	
<b>Non-Operating Income</b>	Money from investments or one-time events	Interest earned, building sale
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, Amortization	Used to compare company performance

### 2. Balance Sheet (Statement of Financial Position)

**Shows:** What do we own vs. what do we owe?

**Time period:** Snapshot at ONE specific date (usually year-end)

**Formula:** Assets = Liabilities + Equity

Term	Definition	Example
<b>Assets</b>	Everything the organization owns	Cash, equipment, property

Term	Definition	Example
<b>Current Assets</b>	Can be converted to cash within 1 year	Bank account, money owed to you
<b>Fixed Assets</b>	Long-term items (buildings, equipment)	Office furniture, company van
<b>Liabilities</b>	What the organization owes	Loans, vendor bills, salaries owed
<b>Current Liabilities</b>	Debts due within 1 year	Credit card bills, payroll payable
<b>Long-term Liabilities</b>	Debts due after 1 year	Mortgage, long-term loans
<b>Equity/Net Assets</b>	Owner's stake (Assets - Liabilities)	For nonprofits: Unrestricted, Restricted assets

### 3. Cash Flow Statement

**Shows:** Where did cash actually come from and go?

**Time period:** Monthly, quarterly, or annual

**Why it matters:** A profitable business can still run out of cash!

Term	Definition	Example
<b>Operating Cash Flow</b>	Cash from normal business operations	Money from sales, grants received
<b>Investing Cash Flow</b>	Cash from buying/selling assets	Selling equipment, buying property
<b>Financing Cash Flow</b>	Cash from loans, equity, dividends	Bank loan received, investor contributions
<b>Cash Position</b>	Actual cash on hand	How much is in the bank today

**Example of why it matters:** - Service company: \$100,000 profit but clients haven't paid invoices yet - Result: Can't pay employees this week (no actual cash) - Solution: Understand cash flow separately from profit

## Key Financial Reporting Concepts

### Fiscal Year

The 12-month accounting period used by an organization (doesn't have to match calendar year).

**Example:** - Calendar fiscal year: January 1 – December 31 - Government fiscal year: October 1 – September 30 - Company fiscal year: July 1 – June 30

### **Accounting Period**

The time span covered by financial statements (monthly, quarterly, annual).

**Example:** “Q3 2024 Financial Report” = July-September 2024

### **Materiality**

Information that would influence a user’s financial decisions; small errors that don’t affect decisions aren’t material.

**Example:** \$50,000 error in a \$1,000,000 budget is material; \$50 error likely isn’t.

### **Accrual Accounting**

Recording income when earned and expenses when incurred (not when money physically changes hands).

**Example:** - Invoice sent in December for service delivered - Record revenue in December (even if payment comes January) - Preferred method for large organizations

### **Cash Basis Accounting**

Recording income only when cash is received and expenses only when paid.

**Example:** - Invoice sent in December but payment comes January - Record revenue in January - Often used by small businesses, nonprofits, sole proprietors

### **Audit**

Independent review of financial statements to verify accuracy and proper procedures.

**Types:** - **External Audit:** Third-party auditor reviews everything - **Internal Audit:** Organization’s staff reviews specific areas - **Nonprofit requirement:** Many grants require annual audits

### **Reconciliation**

Comparing two sets of records to ensure they match.

**Example:** - Bank statement shows \$5,000 - Your checkbook shows \$4,800 - Reconcile by finding missing transactions

## Depreciation

Spreading an asset's cost over its useful life (non-cash expense).

**Example:** - Buy equipment for \$10,000 with 5-year life - Depreciate \$2,000/year  
- Recognized as an expense for tax and accounting purposes

## Goodwill

The premium paid when buying a company above its tangible asset value.

**Example:** Buy competitor with \$100,000 in assets for \$150,000. The \$50,000 difference is goodwill.

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## Nonprofit-Specific Terms

### Net Assets (instead of "Equity")

What remains when nonprofit liabilities are subtracted from assets.

**Subcategories:** - **Unrestricted:** No donor restrictions - **Temporarily Restricted:** Limited to specific use/time - **Permanently Restricted:** Held forever (endowment)

### Restricted Funds

Money donors designated for specific purposes.

**Example:** Donor gives \$50,000 "for youth programs only." That's restricted to youth programs.

### Unrestricted Funds

Money the nonprofit can use for any purpose.

**Example:** General donation with no restrictions.

### Program vs. Administrative Expenses

- **Program:** Directly serves the mission
- **Administrative:** General overhead (HR, accounting, executive)

**Ratio to track:** Higher program percentage = more mission-focused spending

## Financial Ratios & Metrics

### Current Ratio

Measures ability to pay short-term debts.

**Formula:** Current Assets  $\div$  Current Liabilities

**Healthy range:** 1.5 to 3.0

### Debt-to-Equity Ratio

Shows financial leverage and risk.

**Formula:** Total Liabilities  $\div$  Total Equity

**Lower is better:** Shows less reliance on borrowing

### Profit Margin

What percentage of revenue becomes profit.

**Formula:** (Net Income  $\div$  Revenue)  $\times$  100

**Example:** \$50,000 profit on \$200,000 revenue = 25% margin

### Burn Rate

How quickly an organization spends cash (often used by nonprofits and startups).

**Example:** Monthly expenses of \$10,000 = organization has 6-month “runway” with \$60,000 cash

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## Red Flags in Financial Reports

- Consistent losses without explanation
- Rapidly declining assets or growing liabilities
- High turnover in accounting/finance staff
- Qualified audit opinion (auditor has concerns)
- Lack of detailed financial statements
- Unrealistic revenue projections
- Significant one-time expenses without context

# Financial Abbreviations & Acronyms Guide

## Tax & IRS Abbreviations

Abbreviation	Full Term	Definition	Example
<b>IRS</b>	Internal Revenue Service	U.S. government agency that collects taxes	File tax return with IRS
<b>EIN</b>	Employer Identification Number	Unique number for organization (like SSN for business)	Nonprofit's EIN: 12-3456789
<b>FEIN</b>	Federal Employer Identification Number	Same as EIN	Federal ID for organization
<b>AGI</b>	Adjusted Gross Income	Gross income minus certain deductions	AGI used for tax calculation
<b>W-2</b>	Wage and Tax Statement	Form showing employee wages and taxes withheld	Employers send W-2s in January
<b>1099</b>	Miscellaneous Income	Form showing non-employee income (freelance, contract)	Freelancer receives 1099 for consulting
<b>1099-NEC</b>	Nonemployee Compensation	Specific form for independent contractor income	Consultant gets 1099-NEC for \$5,000 project
<b>1099-INT</b>	Interest Income	Form showing interest earned	Bank sends 1099-INT for savings interest
<b>1099-DIV</b>	Dividends and Distributions	Form showing investment dividends	Brokerage sends 1099-DIV for stock dividends
<b>1099-MISC</b>	Miscellaneous Income	Form for other types of income	Payment for services as independent contractor
<b>1040</b>	U.S. Individual Income Tax Return	Main personal tax return form	File 1040 with IRS on April 15

Abbreviation	Full Term	Definition	Example
<b>990-N</b>	E-postcard	Short tax form for small nonprofits (<\$50,000)	Small nonprofit files 990-N electronically
<b>990</b>	Return of Organization Exempt from Income Tax	Nonprofit's tax return to IRS	Large nonprofits file Form 990
<b>990-EZ</b>	Simplified return	Shorter nonprofit form for smaller organizations	Nonprofit with <\$50K revenue files 990-EZ
<b>990-N/EZ/full</b>	Nonprofit filing options	Depends on organization size	Choose based on revenue
<b>4868</b>	Application for Automatic Extension	Request 6-month extension to file taxes	File 4868 if need more time
<b>EITC</b>	Earned Income Tax Credit	Refundable credit for low/moderate income workers	Low-income worker receives \$2,000 EITC
<b>CTC</b>	Child Tax Credit	Tax credit per dependent child	\$2,000 per child under 17 (2024)
<b>AOTC</b>	American Opportunity Tax Credit	Education tax credit for college students	\$2,500 per eligible student per year
<b>AMT</b>	Alternative Minimum Tax	Ensures high-income people pay minimum tax	High earners may owe AMT
<b>IRC</b>	Internal Revenue Code	Legal code containing all tax laws	IRC Section 501(c)(3) for nonprofit status
<b>TCJA</b>	Tax Cuts and Jobs Act	Major 2017 tax law changes	TCJA changed tax brackets and deductions

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## Financial Statement & Accounting Abbreviations

Abbreviation	Full Term	Definition	Example
<b>GAAP</b>	Generally Accepted Accounting Principles	Standard rules for financial accounting	Nonprofits follow GAAP
<b>FASB</b>	Financial Accounting Standards Board	Sets GAAP standards	FASB issues accounting guidance
<b>BS or B/S</b>	Balance Sheet	Shows assets, liabilities, equity at point in time	December 31 Balance Sheet
<b>IS or I/S</b>	Income Statement	Shows revenue and expenses over period	2024 Income Statement
<b>P&amp;L</b>	Profit & Loss Statement	Same as Income Statement	Monthly P&L report
<b>CF</b>	Cash Flow Statement	Shows where cash came from and went	Quarterly cash flow statement
<b>AR</b>	Accounts Receivable	Money customers/clients owe organization	AR shows \$50,000 owed by donors
<b>AP</b>	Accounts Payable	Money organization owes vendors	AP shows \$15,000 owed to suppliers
<b>SG&amp;A</b>	Selling, General & Administrative	Overhead expenses (not production/program)	SG&A expenses: office staff, utilities
<b>COG or COGS</b>	Cost of Goods Sold	Direct costs to produce goods	COGS for nonprofit programs
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, Amortization	Operating profit measure	Compare organizations using EBITDA
<b>ROE</b>	Return on Equity	Profit divided by equity (how well equity is invested)	12% ROE means good return
<b>ROA</b>	Return on Assets	Profit divided by total assets (asset efficiency)	8% ROA shows asset efficiency

Abbreviation	Full Term	Definition	Example
<b>NPV</b>	Net Present Value	Value of future cash flows in today's dollars	NPV of \$100,000 project is positive
<b>IRR</b>	Internal Rate of Return	Annual percentage return on investment	15% IRR on investment opportunity
<b>YTD</b>	Year-to-Date	Performance from January 1 to now	YTD revenue: \$250,000 (Jan-June)
<b>TTM</b>	Trailing Twelve Months	Performance over past 12 months	TTM revenue: \$900,000
<b>FY</b>	Fiscal Year	12-month accounting period	FY2024 (July 2023 - June 2024)
<b>QoQ</b>	Quarter-over-Quarter	Comparing one quarter to previous quarter	QoQ growth: 5% increase
<b>MoM</b>	Month-over-Month	Comparing one month to previous month	MoM expenses: 2% decrease
<b>YoY</b>	Year-over-Year	Comparing same period last year	YoY revenue: up 15% vs. 2023

## Banking & Cash Flow Abbreviations

Abbreviation	Full Term	Definition	Example
<b>ACH</b>	Automated Clearing House	Electronic bank-to-bank transfer system	ACH transfer takes 1-2 days
<b>EFT</b>	Electronic Funds Transfer	Moving money electronically	EFT received from donor
<b>NSF</b>	Non-Sufficient Funds	Check rejected due to insufficient balance	Check bounced; NSF fee charged
<b>ABA</b>	American Bankers Association	Organization setting banking standards	ABA routing number on check
<b>FDIC</b>	Federal Deposit Insurance Corporation	Insures bank deposits up to \$250,000	Bank is FDIC insured

Abbreviation	Full Term	Definition	Example
<b>APY</b>	Annual Percentage Yield	Interest rate including compounding	Savings account 0.5% APY
<b>APR</b>	Annual Percentage Rate	Interest rate on loans (before compounding)	Credit card 18% APR
<b>OD or O/D</b>	Overdraft	Account going negative (overdrawn)	OD fee: \$35

### Budget & Variance Abbreviations

Abbreviation	Full Term	Definition	Example
<b>BOM</b>	Beginning of Month	Start date/amount for month	BOM balance: \$50,000
<b>EOM</b>	End of Month	End date/amount for month	EOM balance: \$52,300
<b>BOY</b>	Beginning of Year	Start date/amount for year	BOY projection: \$500,000
<b>EOY</b>	End of Year	End date/amount for year	EOY forecast: \$550,000
<b>PY</b>	Prior Year	Previous year for comparison	PY revenue: \$400,000
<b>LY</b>	Last Year	Same as Prior Year	LY costs: \$250,000
<b>VAR</b>	Variance	Difference between budget and actual	VAR: 5,000 <i>unfavorable</i>    * VAR**
<b>% VAR</b>	Percent Variance	Variance as percentage	%VAR: 10% over budget
<b>OT</b>	Overtime	Hours worked beyond regular schedule	OT pay: 1.5x regular rate

## Nonprofit & Charitable Abbreviations

Abbreviation	Full Term	Definition	Example
<b>501(c)(3)</b>	IRC Section 501(c)(3)	Tax-exempt nonprofit status	Organization qualifies as 501(c)(3)
<b>NFP</b>	Not-for-Profit	Organization not earning profits for owners	NFP hospitals, schools, charities
<b>NGO</b>	Non-Governmental Organization	International nonprofit/charity	NGO provides humanitarian aid
<b>RFP</b>	Request for Proposal	Formal grant or contract opportunity	Submit RFP by March 31 deadline
<b>LOI</b>	Letter of Intent	Pre-application inquiry to funder	Send LOI to foundation first
<b>MOE</b>	Match / Maintenance of Effort	Grant requirement to match funder's contribution	Grant has MOE requirement of 50%
<b>ED</b>	Executive Director	Leader of nonprofit	ED reports to Board Chair
<b>COO</b>	Chief Operating Officer	Operations leader (larger organizations)	COO manages daily operations
<b>CFO</b>	Chief Financial Officer	Finance leader (larger organizations)	CFO manages budget and accounting
<b>BOD</b>	Board of Directors	Nonprofit governing board	BOD meets quarterly
<b>PLC</b>	Policy & Literacy Committee	Committee setting policies	PLC reviews board policies
<b>DMA</b>	Designated Market Area	Geographic region for targeting	Target DMA: Chicago metropolitan area

## Financial Terms with Common Abbreviations

Abbreviation	Full Term	Definition	Example
<b>K or M or B</b>	Thousand / Million / Billion	Number scale (K=\$1,000, M=\$1,000,000, B=\$1,000,000,000)	Budget: \$2.5M (meaning \$2.5 million)
<b>**@**</b>	At	Price or rate	Price @ \$50/unit or Discount @ 15%
<b>vs.</b>	Versus	In comparison with	2024 vs. 2023 revenue
<b>etc.</b>	Et Cetera	And so on (used for continuing list)	Expenses: salaries, supplies, rent, etc.
<b>TBD</b>	To Be Determined	Not yet decided	Amount TBD pending board vote
<b>ASAP</b>	As Soon As Possible	Urgent deadline	Report needed ASAP
<b>FYI</b>	For Your Information	Informational (no action needed)	FYI - Board meeting moved to Thursday

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## Payroll & Benefits Abbreviations

Abbreviation	Full Term	Definition	Example
<b>FICA</b>	Federal Insurance Contributions Act	Social Security and Medicare taxes	FICA withholding: 7.65%
<b>FUTA</b>	Federal Unemployment Tax Act	Federal unemployment insurance	FUTA tax: 0.6% on first \$7,000 wages
<b>SUTA</b>	State Unemployment Tax Act	State unemployment insurance	SUTA tax varies by state
<b>401(k)</b>	Retirement Plan	Employer- sponsored retirement savings	Employee contributes to 401(k)
<b>403(b)</b>	Nonprofit Retirement Plan	Retirement plan for nonprofit employees	Nonprofit offers 403(b) retirement

Abbreviation	Full Term	Definition	Example
<b>IRA</b>	Individual Retirement Account	Personal retirement savings account	Employee opens Roth IRA
<b>SEP-IRA</b>	Simplified Employee Pension	Retirement plan for self-employed	Self-employed person uses SEP-IRA
<b>HSA</b>	Health Savings Account	Tax-advantaged health account	HSA balance: \$2,500
<b>HRA</b>	Health Reimbursement Arrangement	Employer-funded health account	Employer provides \$1,500 HRA
<b>FSA</b>	Flexible Spending Account	Pre-tax health/dependent care savings	Use FSA for medical expenses
<b>COBRA</b>	Consolidated Omnibus Budget Reconciliation Act	Continued health insurance after job loss	Employee can continue coverage via COBRA
<b>ACA</b>	Affordable Care Act	Health insurance law (Obamacare)	Employer complies with ACA
<b>PTO</b>	Paid Time Off	Vacation, sick, personal days combined	Employee earns 20 days PTO/year
<b>ADA</b>	Americans with Disabilities Act	Civil rights law for disability accommodations	Employer complies with ADA

## Audit & Compliance Abbreviations

Abbreviation	Full Term	Definition	Example
<b>SOX</b>	Sarbanes-Oxley Act	Corporate accountability law (mostly for-profits)	Large organizations follow SOX
<b>OMB</b>	Office of Management and Budget	Federal agency setting government grant rules	OMB Circular A-133 for nonprofits
<b>QAE</b>	Qualified Audit Engagement	Audit meeting standards	Hire firm for QAE

Abbreviation	Full Term	Definition	Example
<b>SAS</b>	Statement on Auditing Standards	Rules for conducting audits	Auditors follow SAS
<b>AICPA</b>	American Institute of CPAs	Professional organization for accountants	Member of AICPA
<b>CPA</b>	Certified Public Accountant	Licensed accounting professional	Hire CPA for audit
<b>CFE</b>	Certified Fraud Examiner	Professional trained in fraud detection	CFE investigates suspected fraud
<b>COSO</b>	Committee of Sponsoring Organizations	Framework for internal controls	Follow COSO framework
<b>CSV</b>	Comma Separated Values	File format for data	Export financial data as CSV
<b>PDF</b>	Portable Document Format	File format for documents	Save report as PDF

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## Common Financial Abbreviations Quick Reference

### Acronyms You'll See on Statements

- **AOCI** - Accumulated Other Comprehensive Income
- **AVG** - Average
- **BKO** - Bankruptcy
- **CBL** - Controllable
- **C/A** - Current Assets
- **C/L** - Current Liabilities
- **DEP** - Depreciation
- **DIV** - Dividends
- **EXP** - Expense
- **FA** - Fixed Assets
- **GL** - General Ledger
- **GW** - Goodwill
- **LT** - Long-term
- **NA** or **N/A** - Not Applicable
- **O/S** - Outstanding
- **QTR** - Quarter
- **REV** - Revenue

- **SL** - Short-lived
  - **ST** - Short-term
  - **TL** - Total Liabilities
  - **TE** - Total Equity
  - **TA** - Total Assets
- 

### **Pro Tip: Context Matters**

Same abbreviation can mean different things in different contexts: - **FY** = Fiscal Year (finance) OR Flipped Classroom (education) - **P&L** = Profit & Loss (finance) OR Physical & Logical (IT) - **ROI** = Return on Investment (finance) OR Region of Interest (medical imaging)

Always verify meaning in your specific context!

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### **Where to Find More**

- **IRS.gov** - Tax forms and publications
- **FASB.org** - Accounting standards
- **BLS.gov** - Labor statistics and abbreviations
- **FINRA.org** - Investment-related abbreviations
- Your organization's accounting software help documentation
- Finance team or accounting department

**Pro Tip:** Create a master list of abbreviations your organization uses frequently—helps everyone stay on same page!

# Banking & Reconciliation Vocabulary Sheet

## What is Bank Reconciliation?

**Bank reconciliation** is the process of comparing your organization's financial records with the bank's records to ensure they match and identify any discrepancies. It's like a monthly checkup for your money.

**Why it matters:** Catches errors, fraud, and timing differences before they become problems.

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## Banking Terms

### Deposit

Money put into a bank account.

**Types:** - **Cash Deposit:** Physical cash deposited - **Check Deposit:** Check deposited (takes 1-3 business days to clear) - **Electronic Deposit:** Direct transfer from another account - **Wire Transfer:** Fast electronic transfer (usually same day)

### Withdrawal

Money taken out of a bank account.

**Methods:** - Check - ATM withdrawal - Debit card purchase - Electronic transfer

### Overdraft

When you withdraw more money than available in account (account goes negative).

**Consequences:** - Bank charges overdraft fee - Check may bounce (not honored) - Damage to financial reputation

**Example:** Account has \$500, you write check for \$600 → \$100 overdraft

### NSF (Non-Sufficient Funds)

When a check is rejected because account doesn't have enough money.

**Example:** Check for \$1,000 bounces when only \$800 in account

### Cleared / Cleared Check

Money has actually moved (transaction is final).

**Timing:** - Check deposits: 1-3 business days - Electronic transfers: Same day or next day - Debit card purchases: Usually immediate

### **Outstanding / Pending**

Transaction has been recorded but money hasn't actually moved yet.

**Example:** - You write check on 12/1 - Bank doesn't cash it until 12/5 - During 12/1-12/5: Check is "outstanding"

### **Float**

Time between when you write a check and when it clears.

**Example:** - Write check on 12/1 - Recipient deposits 12/3 - Bank processes 12/5 - Float = 4 days - Your money leaves your account on 12/5 (not 12/1)

**Importance:** Can affect cash flow and reconciliation timing

### **Bank Statement**

Monthly (or weekly) record from bank showing all deposits, withdrawals, fees, and current balance.

**Contains:** - Opening balance - All transactions - Fees and interest - Closing balance

### **Reconciling Items / Reconciling Differences**

Transactions causing your records to differ from bank statement.

**Common reasons:** - Timing (check not yet cleared) - Fees you didn't know about - Errors - Deposits in transit

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## **Bank Account Types (For Organizations)**

### **Checking Account**

Used for frequent transactions (deposits and withdrawals).

**Features:** - High transaction volume - Low/no interest earned - Usually has check-writing capability - May have monthly fee

### **Savings Account**

Used for storing money; earns interest but limited transactions.

**Features:** - Limited withdrawals per month - Earns interest - Lower activity - Good for emergency reserves

### Money Market Account

Hybrid between checking and savings; earns interest with check-writing.

**Features:** - Interest-bearing - Check writing available - Higher minimum balance required - Tiered interest rates

### Sweep Account

Automatically transfers excess money to savings/investment account to earn interest.

**Example:** - Keep \$10,000 in checking - Anything above automatically moves to savings - Maximizes interest earned

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## Reconciliation Process & Terms

### Reconciliation

Matching your organization's records with bank statement to ensure accuracy.

#### Basic formula:

Bank statement balance + Deposits in transit - Outstanding checks = Your record balance

#### Or if different:

Your balance - Bank balance → Find the difference → Investigate why

### Beginning Balance

Starting amount in account at start of period.

**Example:** January 1 bank balance = \$50,000 (this is beginning balance for January)

### Ending Balance

Amount in account at end of period (shown on bank statement).

**Example:** January 31 bank statement ending balance = \$52,300

### Bank Reconciliation Statement

Report showing reconciliation calculation and balancing.

#### Format:

Bank statement balance:	\$52,300
+ Deposits in transit:	\$5,000
- Outstanding checks:	(\$4,200)

= Reconciled balance:                      \$53,100  
Our records balance:                      \$53,100  
    Reconciled!

### **Deposits in Transit**

Deposits you've recorded but bank hasn't processed yet.

**Timing:** Usually 1-3 business days

**Example:** - You deposit check on Friday - Bank doesn't process until Monday  
- On Friday: It's "in transit" to you, on the bank statement it appears Monday

**In reconciliation:** ADD to bank balance

### **Outstanding Checks**

Checks you've written and recorded, but bank hasn't cashed yet.

**Timing:** Could be days or weeks depending on recipient

**Example:** - Write check #102 on 12/1 - Recipient doesn't cash it until 12/15  
- On 12/14 statement: Check still "outstanding"

**In reconciliation:** SUBTRACT from bank balance

### **Bank Fees**

Charges the bank deducts from your account.

**Types:** - Monthly maintenance fee - Overdraft fee - NSF (bounced check) fee -  
Wire transfer fee - ATM fee (out-of-network)

**Important:** Fees on bank statement that you haven't recorded yet need to be  
deducted from your records

### **Interest Income**

Money bank pays you for keeping deposits in account.

**Usually:** Very small (0.1-0.5% annually for checking)

**Important:** Interest on bank statement you haven't recorded needs to be added  
to your records

### **Service Charges**

Fees for banking services (can include maintenance fees, check printing, etc.).

**Example:** \$15/month maintenance fee

### **Adjusting Entry**

Journal entry made to correct your records when reconciliation finds errors or new information.

**Example:** - Bank charged \$25 NSF fee (wasn't in your records) - Entry: Debit: NSF Fee Expense \$25 / Credit: Cash \$25 - Now your records match bank statement

### **Unreconciled Items**

Transactions that can't yet be matched between your records and bank statement.

**Reason:** Timing differences (pending items)

**Action:** Wait until next period when item clears

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## **Common Reconciliation Problems & Solutions**

### **Missing Deposit**

Deposit recorded by you but not showing on bank statement.

**Solution:** - Check if deposit date is after statement period (will appear next month) - Verify deposit was actually made - Contact bank if deposit was lost

### **Missing Check**

Check recorded by you but not showing on bank statement.

**Solution:** - Wait—check may still be outstanding - Ask recipient if they received/cashed it - Contact bank if check was lost in mail

### **Different Amounts**

Your amount for transaction differs from bank's amount.

**Example:** - You recorded \$1,500 check deposit - Bank shows \$1,000 - Discrepancy: \$500

**Solution:** - Review original document - Correct your records to match bank (bank is official record) - Document why error occurred

### **Mysterious Charge**

Bank statement shows charge you don't recognize.

**Steps:** 1. Review documentation 2. Check if it's a fee you forgot about 3. Contact bank to explain charge 4. If fraudulent: Report to bank immediately

### **Error Timing**

Transaction posted on different day than expected.

**Example:** - Deposited Friday - Expected Saturday clearing - Actually cleared Monday - Causes timing difference in reconciliation

**Solution:** Understand your bank's posting schedule

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### **Reconciliation Best Practices**

- Reconcile monthly (within 2-5 days of receiving statement)
  - Keep all supporting documents (deposit slips, checks, receipts)
  - Create written reconciliation statement
  - Have two people review (one prepares, one reviews)
  - Investigate discrepancies immediately
  - Keep audit trail of all reconciliations
  - Record adjusting entries promptly
  - Use accounting software if available
  - Flag unusual transactions
  - Review bank statements for unauthorized charges
  - Monitor cash balance regularly (don't just wait for statement)
  - Keep reconciliation documentation in files
- 

### **For Nonprofits Specifically**

#### **Restricted Account**

Separate bank account for donor-restricted funds.

**Example:** - Main checking: Unrestricted funds - Program account: Temporarily restricted grant funds - Endowment account: Permanently restricted funds

**Benefit:** Prevents accidentally mixing restricted/unrestricted money

#### **Grant Account**

Separate account for specific grant funds (often required by funders).

**Example:** \$100,000 grant received → Must go in separate account, tracked separately

#### **Wire Fraud Prevention**

Nonprofits are targets for fraudulent wire transfer requests.

**Red flags:** - Email asking for wire to unusual account - Change in payment method suddenly - Urgent/emergency language - Sender address slightly off

**Prevention:** - Verify requests through independent communication - Call organization directly (don't use number from suspicious email) - Have two people approve large wires - Use positive pay (bank holds checks for approval)

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### Quick Reconciliation Checklist

- Get bank statement
- List your deposits for period
- Compare to bank statement deposits (match or identify timing issues)
- List your checks/withdrawals for period
- Compare to bank statement withdrawals (match or identify timing issues)
- Identify outstanding checks (yours, not on bank statement)
- Identify deposits in transit (yours, not on bank statement)
- Note any fees or interest charged by bank
- Calculate: Bank balance + Deposits in transit - Outstanding checks
- Compare to your recorded balance
- If they match: Reconciled!
- If they don't match: Find the error
- Prepare adjusting entries
- File reconciliation documentation